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# FINANCIAL TIMES

US banking

Europeans scramble for footholds

Page 17



Awful adventures in Tinseltown

Book review, Page 16



Tuberculosis

Educating the immune system



**Today's surveys** 

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World Business Newspaper http://www.FT.com

THURSDAY OCTOBER 10 1996

### Israel is putting peace treaties at risk says Hussein

King Hussein of Jordan told Israel its peace treaties with Egypt and Jordan were in danger unless it fulfilled its international commitments to the Palestinians. The warning, from the Arab leader who has moved closest to Israel since the Middla East peace process began, prompted Israeli prime minister Benjamin Netanyahu to call an emergency meeting of his inner cabinet and to seek to send an eovoy to soothe Amman.

Crédit Lyonnais seeks more cash: Crédit Lyonnais chairman Jean Peyrelevade raised the size of the cash injection he said was needed for his troubled French bank to FFr12bn (\$2.3bn) from FFr8bn-FFr9bn, and extended the period before privatisation. Page 19

BMW aims to boost Rover output: German carmaker BMW made clear that it was committed to a 50 per cent increase in production at Rover Group, its British subsidiary, to about 750,000 vehicles a year. Page 9

Germany's budget goal under threat: Bonn's hope of keeping the federal budget defi-cit below DM70bn (\$46bn) this year is under threat because privatisation proceeds are likely to fall far below the DM9bn envisaged, a report

Amoco drops central Europe project: US energy group Amoco signalled a retreat to its home territory with the announcement that it is to abandon a project to build a petrol station natwork based in central Europe. Page 19

Former Indian PM granted ball



The High Court in Delhi granted bail until Monday to former Indian prime minister P.V. Narasimha Rao (left), who has been charged in a forgery case. Mr Rao's lawyers won the five-day reprieve from arrest by arguing that the 76year-old politician, who recently resigned as

president of the Congress party, would not "flee from justice". The case alleges Mr Rao's complicity in an attempt to smear a rival politician through the forgery of documents.

France acts to cut welfare deficit: The French cabinet approved the first of a new series of annual welfare financing laws aimed at cutting this year's FFr52bn (\$10bn) welfare deficit to FFr30bn next year. Page 2

**AP 7% ahead in first half:** French insurance group UAP reported interim net profits up 7 per cent to FFr860m (\$166m) and claimed the results of its restructuring were bearing fruit. Page 19

Brussels attacks industry costs: High costs of labour, energy, telecommunications and transport are dragging down industry in the European Union, a Commission report says.

Airline collapses: World Airlines of the UK, whose sole route was between London City Airport and Amsterdam, became the first casualty of Europe's fiercest fares war. Its leased BAe 146 jet was impounded in London for non-payment of landing fees. Page 9

Pasta makers attack US duties: Italian pasta producers appealed against a US Commerce Department investigation which led to duties being placed on their exports to the US.

Millennium system problem 'answered': A small UK company believes it has an answer to the "millennium problem" which threatens the dating systems of most business computers after the turn of the century. Page 9

Travellers carry more alcohol: The volume of wine imported by travellers returning to the UK by farry rose hy 67 per cent and spirits hy 14 per cent this year over last, Britain's Wine and Spirit Association said.

Football walkover: Scotland were awarded a provisional walkover win in their World Cup qualifying match against Estonia in Tallinn. Their hosts failed to turn up because of a dispute over the kickoff time.

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Semiconductor industry data may signal end of year long slump

# Chip market set to recover

By Louise Kehoe in San Francisco

The global semiconductor market may be on the brink of a recovery after a year-long slump that has seen sales fall for tha first time in a decade and forced most producers to slash output.

The Semiconductor Industry Association's book-to-bill ratio, a leading indicator of market trends, rose to 0.99 in September, up from a revised figure of 0.93 in August. The ratio, which measures the value of orders booked hy chipmakers in the Americas against the value of shipments, is now at its bighest level this year.

Orders by US manufacturers increased 9 per ceot over the previous month to \$3.19bn for September. Shipments rose 2.1 per cent to \$3.22bn, the US industry trade group said. "These are the most positive by a month, also show a rising

"has bottomed out", he said. Data for worldwide sales.

which trail American figures

numbers we've seen all year," said Mr Doug Andrey, SIA director of information systems and finance. The data suggest the 1996 slowdown

ratio rose to 0.97 in August, up from 0.95 in July. The Septem ber figure is expected to rise by about 1.0, analysts said.

"Orders are up sharply in the US and Europe," said Mark Edelstone, a semiconductor industry analyst at Prudential Securities. "September will prove to be the inflection point," in the semiconductor market cycle, The market should show positive growth by next March, be predicted. While the latest data are encouraging, chip sales in the Americas remain well down on

last year. September shipments were, for example, more than 20 per cent below those of tbe same period last year. Most analysts expect 1997 market growth to be moderate, with sales increasing by sbout 10 to 15 per cent worldwide.

This is a far cry from the tor-

Moreover, not all US semiconductor manufacturers are benefiting from the pick up in sales. This week Motorola reported that its chip orders were sharply lower in the third quarter and Advanced Micro Devices warned that it may be another three months before orders rebound significantly.

By contrast Intel, the world's

largest chip maker, said last month that it expected thirdquarter sales and earnings to be significantly higher than

Wall Street projections.

The mixed results reflect company-by-company issues. ratber than market trends, said Mr Edelstone. Motorola's semiconductor product mix is geared to low-price commodity chips, while AMD bas been late in producing microprocessors to compete with Intel's Pentium chips, be said.

affecting broad semiconductor market trends is the price of Dynamic Random Access Memory (D-Ram) chips. These data-storage devices are used in all types of computers and represent about a quarter of total worldwide semiconductor

D-Ram prices have fallen sharply over the past year. The price of a standard 16 Megabit D-Ram chip, widely used in personal computers. has slumped from about \$50 a year ago to less than \$10 today.

Even in the D-Ram sector, bowever, there are signs of recovery. Spot market prices -for chips ordered for immediate delivery - began rising last month after several months of sbarp declines, said Evelyn Cronin of Dataquest, a US market research firm.

World stocks, Page 40

# **US** electricity group agrees \$2.7bn deal

in New York

Southern Company, the US electricity group which has embarked on an ambitious international expansion, yesterday won the contest for control of one of Asia's biggest independent power producers. The Atlanta-based utility

which is currently controlled by Hopewell Holdings, the Hong Kong property and construction group. Hopewell put its 60 per cent interest in the company up for sale earlier

plants in China and the Philippines, as well as electricity projects under construction in Pakistan and Indonesia. CEPA is believed to have attracted the interest of a number of electricity companies from the US and Europe, which are looking to expand into economies with faster-growing demand for power than their home markets.

The deal will also provide much-needed cash for Mr Gordon Wu. wbose Hopewell group has been stretched financially by its pursuit of a slipped \$% to \$21%.

oumber of other big infrastructure projects in the region.

Hopewell will remain the biggest minority shareholder in CEPA, Southern said, though it did not disclose the level of the group's remaining holding. To finance the acquisition,

the US company will pay \$2.1bn to CEPA's shareholders. said it had agreed to pay while the company itself will \$2.7bn for 80 per cent of Consolidated Electric Power Asia, dividend. Last year, Southern became

the first non-UK group to acquire a British electricity company with its £1.1bn (\$1.7bn) purchase of South Western Electricity. Its expansion overseas reflects an The agreement will give attempt to diversify at a time Southern power generating when the US's protected regional alectricity markets are being opened to competi-tion for the first time. The acquisition will greatly

expand the power generation capacity of Southern Electric International, the US group's fast-growing international subsidiary. The US company already has

electric power plants in Britain, Argentina. Chile, the Bahamas, and Trinidad and Tobago, besides the US.



Zurich Professor Charles Weissmann (right), an expert on BSE, tells a press confer-ence that so-called mad cow disease may not die out of its own accord by 2001, as has been predicted. On his left is the European Union

# In early afternoon trading in New York, Southern's shares Franz Fischler. Report, Page

# Vaccine for peptic ulcers threatens bestselling drugs

By Greg McIvor in Stockholm

Oravax, a small US biotechnology group, will next claims could almost eliminate the market for peptic ulcer

could severely hit the multimillion-dollar sales of the world's two bestselling drugs, Glaxo's Zantac and Astra's Massachusetts-based Oravax

received a US patent for the drug this year and is optimistic it will come to market by 2001. Losec's patents begin to expire in 2000, and Zantac's begin to expire next July. The company said the vac-

cine, being developed with Pasteur Mérieux Connaught, a shares fell SKr2.50 yesterday subsidiary of Rhône-Poulenc, to SKr294.50 while Glaxo's the French chemicals and drugs gronp, neutralises the 990p, though this was also due bacterium helicobacter pylori. to a downgrade of its stock by The bacterium causes most Lehman Brothers. Astra, of

Observer .

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nternational News...

World Trade News ...

peptic ulcers, as well as gastric Sweden, insisted the vaccing reflux, chronic hearthurn and even bad breath and acne. The bacterium has also been linked week unveil a vaccine which it with stomach cancer. About 50 per cent of the world's population carries the bacterium.

Mr Lance Gordon, Oravax The vaccine, if successful, president, said the agent participate in efforts to could severely hit the multi-would cure and prevent ulcers. develop a helicobacter vaccine. would cure and prevent ulcers. He predicted it would supersede Losec in the peptic ulcer with CSL, an Australian biomarket, which accounts for 5-10 per cent of Losec's sales. "It will come close to eliminating the need for peptic ulcer management," he said.

Data on the vaccine will be Astra's Losec generated first half sales of \$2.16bn and Glaxo's Zantac \$1.63bn. Astra's maceuticals analyst at HSBC shares fell 31p in London to

would have no foreseeable impact on Losec, although it concedad there might be long-term implications. The vaccine is currently in effectiveness trials.

Astra said it also wanted to Yesterday it announced a deal technology company, to collaborate in the research and development of a vaccine.

The Swedish group said CSL had conducted extensive preclinical research in the field presented at a conference in and it expected a drug to be Copenhagen next week. ready for trials within a year to 18 mooths.

Mr Andrew Tivenan, phar James Capel in London, said there was a lot to prove before Oravax came "anywhere close

### London stocks, Page 36 CONTENTS Foreign Exchanges ......29 Int. Bond Service .... Managed Funds ..... 31-33

LONDON - LEEDS - PARIS - FRANKFURT - STOCKHOLM - MADRID - NEW YORK - LOS AMGELES - TOKYO - HOME KOME

## German groups plan \$5bn telecoms alliance

By Michael Lindemann in Bonn and Alan Cane in London

Germany's largest conglomerates, plan to form a DM8bn (\$5.4bn) telecommunications alliance, creating a formidable new competitor for Dentsche Telekom, the national operator which will be partially privatised next month.

RWE will pay a net DM2.5bn for a stake of about 37.5 per cent in the new company. It will contribute its extensive telecoms assets which include the largest privately-owned network in Germany comprising 70,000km of modern optical fibre cabling. RWE and Veba together operate private networks covering most of

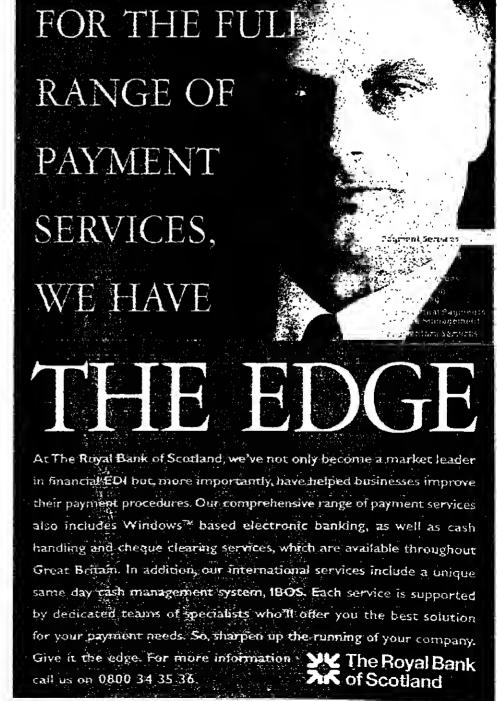
The alliance signals the end of talks started earlier this year between RWE and British Telecommunications, which would have led to RWE becoming a member of the UK groop's alliance with Viag. the Munich-based conglomerate.

Vehacom, Veha's telecoms subsidiary, is expected to bold 60 per cent of the bolding company which will manage the joint venture, bringing with it Cable and Wireless, the UK-based telecoms group with which it forged an alliance 18 mooths ago.

Mr Stephen Pettit, C&W executive director, Europe and mobile, said the deal would give the gronp a smaller share of a more powerful operation: 'It gives us greater confideoce that the company we have invested in will be successful in the German market," be

The share prices of RWE and Viag moved sharply yesterday reflecting analysts' views of the earnings poten-tial of the German telecoms market after liberalisatioo oo January 1, 1998. RWE's share price rose DM2.22 to close at DM60.12, np 3.8 per cent, while Viag's shares fell

Continued on Page 18 Lex. Page 18 Contenders regroup, Page 20



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# Battle for Kremlin intensifies

Mr Alexander Lebed, the Russian security chief, was the real target of the weekend sacking of the country's flamboyant sports minister, the ousted official said yesterday.

Mr Shamil Tarpishchev, whose role as President Boris Yeltsin's tennis coach had given him a power far greater than his titular position as sports minister, hlamed his dismissal on the battle for political control of a country left rudderless by

the presidant's illness. Mr Tarpishchev was sacked amíd a mud-slide of corruption allegations in which he and Gen Alexander Korzhakov, the president's former body-guard and confidant, were linked to a \$40m extortion scam.

The ousted minister responded

suggested that the decree ordering his removal might not have been signed by the president himself.

"The fact that Lebed stated he accepts Korzhakov and will support him was the catalyst for a massive attack on Korzhakov... and his friends," Mr Tarpishchev said. "I consider him [Korzhakov] to by my friend, my chum and... so I hecame victim of this struggle.

Mr Tarpishchev said he "had his doubts" about how the presidential decree was signed.Access was "severely restricted" and Mr Yeltsin was only acquainted with things in a "distorted form".

But Mr Yeltsin's press service

flatly refuted the charge. A spokesman said he had seen the original decree sacking Mr Tarpishchev and extortion allegations but would not name the targets of their probe.

The cross-fire was the latest epl-sode in a struggle between Kremlin hardliners, including Messrs Korzhakov and Tarpishchev, and liberal politicians backing Mr Victor Chernomyrdin, the prime-minister and Mr Anatoly Chubais, head of the presidential administration, currently in the ascendant.

The fight was raging two years ago, hut, as the covert race to replace Mr Yeltsin heats up, this old rivalry is becoming more volatile. Police yesterday discovered an explosive device at Rosvoruzhenie. Russia's top arms exporter which is believed to have close links to Mr

A new impetus appears to be the burgeoning alliance hetween many

prosecutor's office said they had of the most prominent figures in the opened an investigation into the defeated hardline Kremlin faction and Mr Lebed. His popularity and instinctive political flair have made him a favourite to succeed Mr Yeltsin, but many of the administra-tion's most powerful liberals appear hostile to the unpredictable outsider. Some analysts helieve that the regional connections and financial resources of the bardliners could make Mr Lebed unbeatable.

Mr Tarpishchev hinted that the war for the Kremlin could become even bloodier if Mr Korzhakov decides to reveal the information he gathered as head of the powerful Kremlin security apparatus.

"As long as the president is alive he [Korzhakov] will do nothing bad for the president's circle." Mr Tarpishchev said. But he suggested "the truth" could come out as early as

The two men are strange

bedfellows. Mr Lebed's elec-

toral platform in June was

founded on his reputation as

be difficult to find a figure who was more "inside" than

Mr Korzhakov in Mr Yelt-

In his column in Izvestiya.

Mr Otto Latsis, the respected

political columnist, suggested Mr Lebed's rivals,

money, Mr Latsis wrote.

Mr Lebed's peace-making activities in Chechnya had

ensured his popularity. His

revival of links with two

minor political parties, the

Democratic party and the Congress of Russian Com-

sin's first term.

# Brussels lambasts EU over poor state of

By Emma Tucker in Brussels

The high costs of labour, and transport are dragging down industry in the Euro-

day.
The study, which criticises

an "outsider" who would cleanse the Kremlin of corrupt insiders. Yet it would the report.

at least, could see a clear political logic for this alli-If Mr Lebed is to mount a presidential bid then he would need three things: popularity, nationwide organisational support, and industry commissioner.

> on the Internet. Against this, EU-wide

Mr Bangemann said the

"Onr inflation rate has to raise investment capital. the form of "henchmark-

# industry

energy, telecommunications pean Union and hampering joh creation, says a Commission report presented vester-

EU governments for not doing enough to improve conditions for industry, says the most alarming struc-tural weaknesses include a continuously rising unemployment rate and a slide in the Union's share of export

The report points out that since 1960, the EU has managed to create only 10m jobs half those of Japan and less than a fifth of those created in the US. The Union's share of OECD export markets, excluding trade within the single market, has been falling since 1987, because of a weak presence in rapidly expanding markets such as those of the Asian "tigers". Net profit margins and returns on investment are also inadequate, says

"The situation of Euro-pean industry, even if It has improved somewhat, is not satisfactory when compared to Japan and the US." said Mr Martin Bangemann, the

The report indicates that efforts made by EU governments to restructure their economies in the face of mounting competition fall short of what is required. In particular, it criticises the high cost of key inputs such as labour and energy.

For example, the price of long-distance telephone calls is substantially lower in the US than in Europe and unlimited local calls are usually included in the fixed line reptal fee - a situation that has greatly encouraged the development of services

efforts to liberalise key sectors such as telecommunications, transport and energy have had mixed successes. Most of the 15 countries are on course to open their telecoms sectors to full competition by 1998, but a recent agreement on energy liberalisation will lead to only e partial and cautious opening of the market.

launch of economic and monetary union in 1999 would do much to improve competitiveness, and declared it was false to see the budget discipline required as a precondition for Emn as a brake on economic growth.

never been as low as it is today." he said, adding that Emn would do away with corrency finctuations and make it easier for companies Other weaknesses identified by the report include skills and innovation, both of which will be subject along with the other noted problems - to monitoring in

ing". Benchmarking will be used to measure European competitiveness against best-practice wnrldwide. In this way, the Commission hopes to ensure that its policies, and those of the memher states, are providing industry with the necessary

### yesterday with a volley of his own. the president had signed it himself claiming the dismissal was a witch on Saturday. Officials at the state Now the game is discredit your opponent, writes John Thornhill

# Russia's politics turn personal

his has been a week of treats for Russia's many conspiracy the-

For days, Moscow's air has been thick with allegations of high political intrigue, extortion, and assassination attempts directed at some of President Boris Yeltsin's for-

mer senior aides. In turn, these figures, now ditched from office, have warned they can defend themselves by releasing kompromat (compromising materials) on their political

Yet this lurld public squabbling may turn out to be a foretaste of even more hitter struggles to come as Russia's politicians join the battle to succeed the ailing President Yeltsin in all but

Mr Victor Chernomyrdin, the prime minister, Mr Alexander Lebed, the national security chief, and Mr Yuri Luzhkov, Moscow's mayor. all appear intent on raising their political profile despite warnings from the Kremlin that they bave made a false start and that President Yeltsin will recover politically as well as

physically.
With the Communist threat apparently neutral. ised after the presidential election in July, future battles are likely to revolve around personalities rather than ideologies. The game then will be to discredit your opponents.

As the Izvestiya newspaper's front-page headline lamented yesterday: "Kompromat is the weapon of Russia's new politicians."

The latest scandals erupted on Sunday when Mr Boris Fyodorov, the disgraced former president of the National Sports Fund and survivor of an assassination attempt, was given time on national television to accuse senior Kremlin officials of trying to extort \$40m from his fund.

attack were Mr Alexander Korzhakov and Mr Shamil



recently were counted among the president's closest friends and advisers. Mr Korzhakov spent more than 10 years as Mr Yeltsin's

bodyguard, confident, and hath-house companion while Mr Tarpishchev was the sports minister and personal tennis coach to the president. They both exercised influence far heyond their formal responsibilities, dabbling in Kremlin politics and The chief targets of his undermining liberal aides.

Mr Fyodorov, whose National Sports Fund earned Tarpishchev, who until billions of dollars in profits between presidential aspi-

from its concessions to import alcohol and tobacco tax-free, is hardly the most impartial witness and Mr Korzhakov has flatly denied the charge. The prosecutor general, however, has taken it seriously enough to have launched an investigation.

But some Russian political observers suggest the allegations against Mr Korzhakov are not just about the settling of old scores between Mr Yeltsin's former entourage. They also reflect the current power hattle

reason for the latest round of mud-slinging is the extraordinary political alliance that seems to be developing between Mr Korzhakov and Mr Alexander Lebed, the national security chief who has trumpeted his ambitions

to become president. Mr Lebed appears to be backing Mr Korzhakov's campaign to return to political life by standing as a parliamentary candidate in the

They suggest part of the

### munities (KRO), also gave him a skeleton of a national organisation. But the weak link in his campaign was

lack of finance. Enter Mr Korzhakov. "If the rumours are true that Korzbakov did not leave power with empty hands and has preserved links with powerful financial structures then the unlikely alliance between Lebed and Korzhakov becomes fully explicable." Mr Latsis wrote.

On this view of the world. Mr Lebed's rivals are trying to undermine his political ambitions by denying him sources of campaign finance.

This dirty war, if that is what it is, has come as a dispiriting experience for those liberals, such as Mr Latsis, who held out high hopes at the birth of Russian democracy in 1991.

Mr Latsis concluded it was not clear whose victory in this subterranean battle would most benefit Russia. "But what is manifestly not in the interests of our society is such an open introduc-Tula constituency, which Mr Lebed was forced to vacate lic politics."

# French move to close welfare deficit

By David Buchan in Paris

cabinet French yesterday approved the first of a new series of annual welfare financing laws designed to put pressure on

The draft 1997 welfare law. aimed at reducing this year's FFr52bn (\$10bn) welfare deficit to FFr30hn next year, fol-

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SEI 9HL GERMANY;

tors to close the welfare insurance schemes co-manlows a constitutional amend-ment earlier this year to give in to stem the growing defi-rity deficit increases. The THE FINANCIAL TIMES

parliament a say in France's cit, especially on health.
huge off-hudget welfare The government also spending, estimated at FFr1,232bn next year, almost ernment budget itself.

Social security in France aged by unions and employers who decided what contribenefits to disburse. In recent years, however, the

social security administra- has developed as a series of agreed by unions and employers. The draft law, however, gives MPs a poor deal, with hutions to levy and what no direct right to cut welfare spending and merely the dubious privilege of voting

government hacked down from giving MPa more argues that MPs deserve a power, after soma unions say in welfare because the complained of "a state taketaxes they vote are being over of the welfare system that has traditionally been increasingly used to supplemant the payroll charges part of their own power-base and patronage.

The law, for example, sets a ceiling of 1.7 per cent on the increase in medical spending next year to a total of FFr600bn. If doctors and hospitals exceed this, MPs

such sanctions are for the health insurance authority to decide in negotiations with the medical profession which started yesterday. In the event of an

increased welfare deficit, MPs will merely be expected tn vote more taxes to plug the gap.
As it is, the 1997 reduction

in the welfare deficit is mainly to come from a 17 per cent increase in alcohol tax will not be able to impose and a 9 per cent rise in financial penalties on them; tobacco tax.

# Austria heads for historic change Sunday's polls could weaken Social Democrats' dominance, writes Eric Frev

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FRANCE:
PRANCE:
Publishing Director P. Maravietia 42 Rue pean parliament and Vienna

municipal council.

According to the Daily Standard yesterday, the Peo-ple's party has overtaken its senior coalition partner with 30-31 per cent in a public opinion poll for the European contest.

If the People's Party can hold on to this lead, it will surpass the Social Democrats for the first time since 1970 in a national ballot. In the last parliamentary election in December, tha Social Democrats took 38 per cent and the People's Party 28 per

The far-right Freedom

the Social Democrats
could be weakened in Sunper cent in the poll, little change from the 22 per cent last December, However, 45 per cent of all voters are still undecided.

The strength of the People's party is a change from the summer when polls showed it falling into third place. Its good fortunes are mostly due to the popularity of its lead European candidate, Ms Ursula Stenzel, a former television presenter. She has been particularly able to articulate the importance of

European issues. In contrast, the lead candidate for the Social Democrats. Mr Hannes Democrats are almost Greens, which are set to Swoboda, suffers from low

making jobs their central campaign issue, the Social Democrats chose an area in

In Vienna the Social Democrats seem certain to lose their majority

which Brussels has little rhetoric to low-income influence.

In Vienna, the Social certain to lose their majority move above 10 per cent for Freedom party.

he 25-year dominance party, which is opposed to name-recognition and a lack on the city's municipal the first time, and the of Austrian politics by European Union of charisma. Also, by council for the first time in Liberal Forum, a moderate council for the first time in Liberal Forum, a moderate splinter from the Freedom 70 years. Some surveys still give party.

them a hig lead over the other parties, while their chairman, Mr Michael The Liberal Forum, which is running in Vienna for the first time, was hurt by the Haupl, is confident he will resignation of its lead stay on as mayor with the help of a coalition partner. candidate because of charges of racism. Still, the party According to a poll in today's Daily Standard, the should take 7-8 per cent and cut into the support of Social Social Democratic share of Democrats and People's votes will fall from 48 per cent to 42 per cent. The People's party should

This is due to the advance fall to 15 per cent hut a poor of the Freedom Party, which performance need not stop It is expected to win 25 per gaining a share of power. cent of the vote through the Mr Häupl wants them as a appeal of its anti-foreigner voters, the loss of young educated voters to the

partner because he dislikes the leader of the Greens, Mr Peter Pilz, and has ruled out any dealings with the

EUROPEAN NEWS DIGEST

# Doubt over **BSE** forecast

The EU's leading expert nn mad cnw disease yeslerday cast doubt on predictions that the disease would die out of its own accord by 2001.

Prof Charles Weissmann of Zurich University also warned that it might take 10 years to establish whether the disease could be transmitted to man.

He urged the EU to pursue 17 research priorities on bovine spongiform encephalopathy (BSE) and related diseases, the most pressing of which was to establish whether BSE could be passed to man. Professor Weissmann was chosen by the European Commission six months ago to head a team of 20 BSE experts charged with Identifying BSE research priorities.

Professor Weissmann said the tests on primates could take "10 years or more" since the incubation period for the disease varied from two to 30 years. He also questioned a report by Oxford University in Britain that BSE would die out within five years and that a large cull of cartle at risk from the disease was therefore Caroline Southey, Brussels

### French plan takeover reform

The French government is considering changes to the country's corporate takeover laws to bring them more in line with the practice in Anglo-Saxon countries. Mr Jean Arthuis, economics and finance minister, said vesterday that he had opened consultations on the idea of

extending the maximum duration of takeovers, which is currently just 20 days. He also said he was interested in requiring investors like their UK and US counterparts - to make a

declaration of their intentions once they had acquired a ertain threshold of sbares in the target company. Speaking at a reception for the 16 board members of the new Conseil des Marchés Financiers, the country's newly-created investment authority, he stressed that the existing French takeover rules were generally clear and

accepted, but said he wanted the body to discuss possible
Andrew Jack, Paris Spanish shipyards threatened

A fresh confrontation is building up over Spain's nationalised shipyards, a year after violent demonstrations to fend off their closures. The state-owned company Astilleros Españoles warned yesterday that tougher measures would be needed to put its viability plan back on track. It said if it failed to fulfil the plan market conditions will make it impossible for the

company to carry on". Spain is awaiting European Commission approval for Pta90bn (\$700m) of government aid to back the plan, designed to bring the shipyards out of loss in 1998. Last year, a campaign backed by local PP mayors in Seville and Cadiz forced the previous Socialist government to scale back job cuts from 5,200 to 3,900 among the 10,000 shipyard workers. The renewed threat follows a forecast Pta30.6bn loss this year, 50 per cent more than David White, Madrid

### VW-Opel case opens

Volkswagen's defamation suit against Opel, its US-owned rival, will be decided at the end of this month, a Frankfurt judge said yesterday. VW. Germany's biggest car manufacturer, is suing Opei and General Motors, its parent, over statements which it alleges were part of a systematic campaign to harm its reputation.

The case opened in Frankfurt yesterday, with statements from both sides. The judge said the court's ruling on VW's DM10m (\$6.70m) damages claim - which

Opel rejects - would be announced on October 30. The allegations followed the launch by GM and Opel in March of a US civil suit accusing VW and Mr Ferdinand Piech, its chairman, of traud. Andrew Fisher, Frankfurt

Alitalia inquiry confirmed The European Commission yesterday confirmed it had started an investigation into restructuring plans at Alitalia, Italy's state-owned airline, because of concerns that a capital injection of L3,000bn (\$1.9bn) broke EU state aid rules. Half of the aid is to come from Iri, the state

holding company which owns 90 per cent of Alitalia. The Commission said It was unconvinced by arguments put forward by the Italian authorities that the capital injection was not an illegal subsidy because Iri acted as any private investor would in the same circumstances. The Commission pointed out that the private investors which hold 10 per cent of Alitalia were not prepared to Emma Tucker, Brussels

### La Reunion corruption probe

Two senior employees of French conglomerate Compagnie Generale des Eaux admitted in court yesterday that their company had funded elected officials on the French island of La Reunion. The trial focuses on alleged corruption in a water deal on the island involving the water, building and telecommunications giant and the Socialist town hall at Saint-Denis.

Former mayor Mr Gilbert Annette has acknowledged using CGE funds to pay back debts incurred during an election campaign and to meet urgent social needs in the town. Former CGE chairman Mr Guy Dejouany was cleared of suspicion in July. Reuter, Reunion Island

**ECONOMIC WATCH** 

### Swedish PSBR estimate cut

1991 92 93 93 95 96 Fore-Source: Metional Debt Office

Office yesterday cut its estimate of government borrowing this year from SKr40-SKr50bn (\$6bn-\$7.5bn) to SKr20-SKr30bn. It attributed the downgrade to higher state revenues, lower net lending and a SKr5bn share buy-back by Nordbanken from the government. It said it would scale back its auctions of nominal treasury bonds from SKr3bn to SKr2bn, to take effect from mid-November.

Sweden's National Debt

Swedish bond yields fell sharply yesterday after the central hank said it sav continued room for interest rate reductions. Yields on long-term bonds eased 18 basis points to 7.04 per cent and one-year bond rates fell 43 points to 4.66 per cent. The declines followed remarks by Mr Urban Backström, central bank governor, that low underlying inflation would leave "some room... for cuts in the repo rate [the bank's key money market rate]". Mr Backström said below-potential economic growth in coming years would result in a continued output gap. This meant the central bank's long-term inflation target of 2 per cent was not in jeopardy, he said. The repo rate has been cut by 3.96 per

cent since January, Greg Mchoor, Stockholm Spanish industrial output rose by 4 per cent in July from a year earlier in contrast to a 5.7 per cent. year-on-year fall in June, the National Statistics Institute said. Industrial output had declined by an average 1.8 per cent in the seven months to July from a year earlier, it

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Germany's wage levels compared

# Employers balk at The tree of the property of th the price of pay

he pay of am employees in 8,000 engineerunder discussion today as German labour unions and employers meet to kick off the 1997 wage round.

A CANAL CONTRACT OF THE PARTY O Mr Werner Stumpfe, president of Gesamtmetall, the engineering employers, flagged the importance of the talks, claiming they are Mar Street Street about "whether our wage ing from the 1995 wage agreements will be compatible with the world market, or whether in the next four takeover reform to five years we will no longer have wage contracts in the engineering industry that have any meaning". His criticisms reflect acute concern about Germany's wage costs which are among the

STEMPORARY CONTRACTOR OF THE STATE OF THE ST highest in the world. The two sides are meeting at an unusually tense time, marred by strikes over proposed cuts to sick pay by 20 per cent and forecasts by employers, of 130,000 job losses in the sector by Christmas.

Mr Stumpfe even said he 7 WT 12 was "not optimistic" that they could reach agreement

Mr Dieter Hundt, the president designate of BDA, the financial difficulties. apyards threaten federation of German employers, and Mr Hans-Olaf Henkel, the outspoken president of BDL the federation of trade-off where wages would German industry, have both rise by 2 per cent, with the added their concerns over rest of the money to he

At stake is not just a perlist of work rules and benefits. The employers are also beginning to question the system itself, under which each industrial sector agrees its own regional wage deals. This system is one of the pillar'a of Germany's system of industrial relations.

Gesamtmetall is still reelround, when Bavarian engineering employers accepted a deal leading to an 11 per cent rise in wage costs over two years.

The deal which triggered a

row within Gesamtmetall and its regional affiliates, led a number of companies to leave the federation in protest. Others are licking their wounds deciding to wait and see whether the negotiators can do hetter this time. Gesamtmetall is under beavy pressure to compensate for last year's disaster. It wants a zero increase in wage costs, made up of a wage increase in line with inflation and offsetting cuts in sick pay and fringe benefits. It also asks for opt-out clauses for companies in

IG Metall, the engineering union, is asking for 4.5 to 5 per cent, but would accept a

Mr Klaus Zwickel, presicentage rise in wages and a dent of IG Metall, said the wage round would determine whether Germany became "a banana republic", where the relations between employers and amployees were dsterminad hy brute market forces and not by a binding set of rules.

"Whoever wants to get rid of regional industry-wide labour contracts should not he aurprised if individual companies come under pressure," he warned.

In the recent row over sick pay IG Matall reminded employers of its power, when it forced Daimler-Benz, Germany's largest company, into an embarrassing climbdown through informal walk out strikes at some of Daimler's car plants. Smaller companies are

even more vulnerable to pressure by the world largest trade union, a threat still widely seen as the main reason for a company to become a member of Gesamtmetall. But Mr Stumpfe and other employer representatives fear that the price of membership in terms of wage costs could outwaigh the advantages, especially at a time when companies are sonal respect the two oppoheginning to shift production outside Germany.

Gesamtmetall wants to make the system more palatable through opt-out clauses a temporary truce in the row to relieve companies in over sick pay by deferring

financial trouble from the strictures of the labour contract. However, IG Metall has so far opposed opt-out

clauses in principle. One of the few positive signals is the continued pernents still have for each other. An example of their deal-making instincts came this week when they agreed

the highly controversial issue to the wage round.

But Mr Stumpfe knows from past experience that a deal with IG Metall is usually perceived as a victory for IG Metall. This perception is especially common among Gesamtmetall's own members, and the reason why many are having second thoughts.

# Bonn's goal for budget under threat war'

The German government's hope of keeping the federal budget deficit below DM70hn (\$46hn) this year is under threat because privatisation proceeds are likely to fall far below the DM9bn envisaged for this year.

In a report to the budget committee of the Bundestag. the lower house of parliament, the finance ministry admitted yesterday there was little chance that planned sales of stakes in Lufthansa, the national airline, Posthank, the postal savings bank, a Frankfurtbased property company and Autohahn Tank & Rast, which runs motorway services, would be completed by the end of this year. Mr Karl Diller, budget

spokesman of the opposition Social Democrat party, who publicised the report, said the government would he left without DM1.7bn from the Lufthansa sale and DM3.1hn the sale of just under 75 per cent of Postbank. Problems surrounding the planned sale of 72.65 per cent of the Frankfurt housing company, will also leave a hole in the expected DM4bn from the sale of property companies.

The sales detailed by Mr Diller are held up hy dis-Wolfgang Münchau putes which the finance min- nomic and monetary union.

The sale of Bonn's 36 per cent holding in Lufthansa can only go ahead if it can he guaranteed that 51 per cent of tha airline stays in German hands. However, the draft law to achieve this has run into problems with the European Commission.

Tha Posthank sale depends on agreement by the post office, to let the bank use post office counters to provide its services.

The sale of the property company cannot go ahead because the minority shareholders - Hesse and Frankfurt - have yet to finalise their positions.

The finance ministry said it was too soon to say whether the federal government would have to borrow more than DM70bn this year hecausa the deficit level would depend on factors

besides privatisation. There is one consolation for Mr Theo Waigel, the finance minister. If the privatisations go through in 1997, they will help reduce general govarnment deht next year. That might enable Germany to meet the Maastricht treaty criterion limiting debt to no more that 60 per cent of gross domestic product and so fulfil all the conditions to become a founder member of EU eco-

# Aznar assailed on 'dirty

By Tom Burna in Madrid

Socialist MPs yasterday accused Mr José Mariá Aznar, Spain's prime minister, of attempting to muzzle his predecessor, Mr Fslipe González. They say he is doing this by letting senior members of his ruling centre-right Popular party publicly link the Socialist leader with an nndercover war against suspected Basque separatists that left 28 dead or injured in the 1980s.

Facing hostile questioning from Socialist party deputies. Mr Aznar steered a middle course in what bas become the most inflammatory issue in domestic politics. He did not disown members of his government who have levelled charges against Mr González hut did not endorse them.

Warning the Socialist party to "be careful about talking abont certain things", Mr Aznar said he preferred to look to the future rather than the past. He said the only thing clear in the affair was that his government bore no responsibility for organising and funding an undercover war.

The careful balancing act left the "dirty war" issue open with suspicion remaining over the former prime minister. Several prominent memhers of the previous administration have been indicted by judges prohing Snpreme Court is due to decide before the end of this year on whether to question Mr González over GAL, the shadowy organisation that fonght Eta, the Basque separatist group.

Mr González, who lost power to Mr Aznar in the general elections last March when he said state terrorism had not taken place while be was in office hecause the victims claimed by GAL were insignificant when compared with the 900 vic-tims claimed by Eta.

# Spanish PM faces twin challenge on regional funding

By David White in Madrid

Barely two weeks after settling a new regional funding scheme, Spain's centre-right government faces challenges to its plan from two diametrically opposite quarters - its Socialist enemies in poor Extremadura and its regionalist allies in wealthy Catalonia, .

An unprecedented vote yesterday by Extremadura's regional Pujol's party, whose votes are parliament to stage a referendum needed to keep the Popular party on the issue followed a warning government in power.

by Mr Jordi Pujol, the Catalan president, that he would be seeking a more radical change for his region once the new five-year scheme had run its course.

The new arrangement, under which regions will automatically control 30 per cent of the income tax revenues collected on their to satisfy the demands of Mr

Mr Pujol was dissatisfied with based on a 15 per cent tax allocation alongside other transfers from central government, and subject to fixed ceilings, worked

out for Catalonia. To avoid a revolt by some PP regional leaders, the government had to build into its reform a system of guaranteed minimums for the poorer regions which have lower tax revenues. However, Socialist-governed Andalucia, Cas-

the way the previous scheme, have so far rejected the new

Mr José Maria Aznar, prime minister, has accused the Socialists of jeopardising these regions' economic interests in the attempt to score political points, and has that all regions stand to gain under the new funding rules.

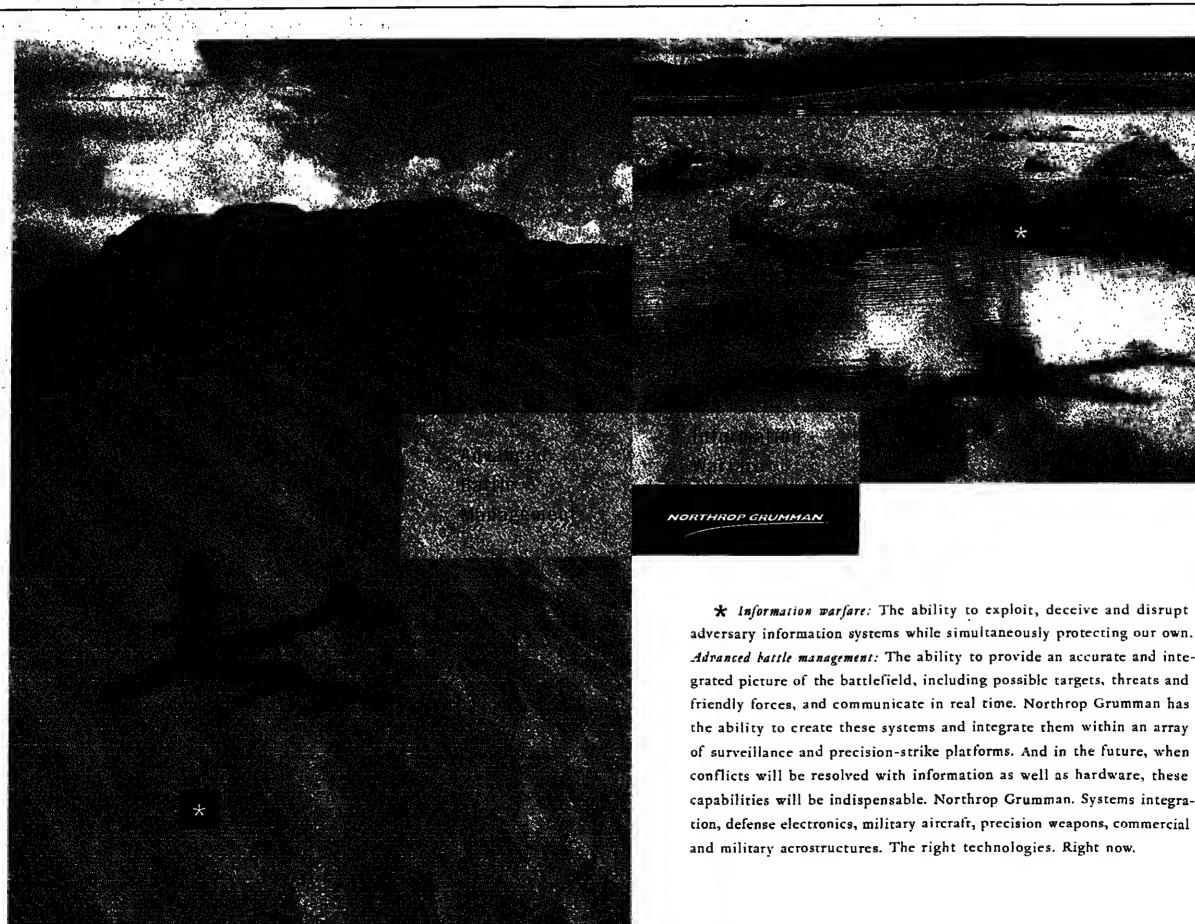
Mr Juan Carlos Rodríguez Ibarra, Socialist president of as the arrangement granted to the Extremadura, won hacking yester- smaller regions of the Basque

tilla-La Mancha and Extremadura day from Communists and region- country and Navarre in recognialists to call a referendum. He has tion of ancient privileges. consistently opposed a system based on a set share of taxes, seeking more solidarity between

> the new system marked a "political success" but said Catalonia month.
> should go further and eventually A car seek full control of its taxes. This would mean a "fiscal pact" such

The timing of the proposal highlighted Mr Pujol's desire to keep his distance from the PP govern ment, just as his party is set to after nearly 14 years in Mr Pujol said be recognised that nudge the government's 1997 bud- power, recently caused a stir get through parliament later this

> A cartoon in tha daily El Mundo yesterday pot the situation succinctly. "The Pope can govern without his appendix...", it said,



# Defence industry halts fall in arms sales

Mideast and Asian buyers offset lower Nato demand

By Bruce Clark, Diplomatic Correspondent

The plunge in international arms sales that followed the end of the cold war has been stopped, according to the International Institute for Strategic Studies.

In its 1996-97 edition of the Military Balance, the IISS reports that world deliveries of conventional weapons rose slightly last year to \$30.2bn from \$29.6bn the pre-

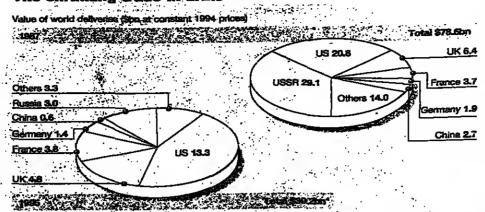
The total turnover is still less than half the level reached in the late 1980s when the US-Soviet arms race was still in full swing. But, more recently, the report notes, "decline in demand from Nato countries has been offset by sustained arms purchasing in the Middle East and several Asian countries". The US retained its place as by far the higgest supplier of conventional arms in the world, but the value of its sales, at constant prices, slipped to \$13.3bn in

Britain and France, in sec ond and third place, both increased their sales last year: from \$4.3bn to \$4.8bn, and from \$3bn to \$3.8bn respectively.

Defence companies in all western countries have been competing vigorously to find new export markets to make up for the drop in homa sales as a result of shrinking Russia, whose industry is

struggling to recover from the effects of the Soviet collapse, eold \$3bn worth of conventional weapons last year, a sharp increase on its low point of \$1.7bn the previous year. Under the HSS system of calculation, the notional value of the Soviet Union's arms deliveries to its satellite states reached a peak of \$29bn in 1987. But unlike Russia's more recent arms deals, the Communist regime's arms deliveries were made on very soft terms which brought little financial benefit.

The shrinking trade in arms



Moscow's arms export per- IISS also acknowledges formance than a recent report hy the US Congressional Research Service, which said Russia had overtaken tha US, UK and France as

the main supplier of weapons to the developing world. Using a different system of calculation, the congressional report estimated Russian arms deliveries to developing countries in 1995 at \$6bn, with China as the higgest customer, compared

"signs of recovery" in the Russian defence industry which "retains substantial trading advantages and maintains efficient levels of economic output". The Russian arms indus-

try is building up aurplus stock as the country's armed forces decline to take delivery of weapons they have ordered hut can no longer afford to pay for, the institute notes

status, Russia remains the dominant supplier of the former Soviet republics, excluding the Baltic states, and continues to supply major weapons systems to Hungary, Slovakia and Bul-

In its comments on the state of the Russian armed forces, the HSS reports minimal progress towards reform in the Russian land forces, with training and weapons maintenance falling well

garia," it adds.

needed for large mobile operations. But the Russian navy, despite severe problems, has increased its activities in home waters and beyond. A naval exercise in April 1996 involving more than 70 ships was the biggest for 10 years, the report

east Asia, defence spending continued to increase this year after jumpiog by more than a third since 1985 and almost a quarter since 1992. However. the rate of increase had slowed to half the level of four years ago.

East Asia now accounts for around one-fifth of the global arms trade...and that proportion is likely to increase as the Nato and Middle East arms markets decline," the IISS says.

Despite the increase in the armed forces and defence industries of several east Asian countries, the IISS says the oiggest recent development in the region's security is the reaffirmation by the US of its commitment to support its allies.

The Military Balance: International Institute for Strategic Studies, 23 Tavistock Street London WC22E 7NQ

# Rabbani takes softer line on Taliban

Burhanuddin Rabbani pleaded yesterday for oegotiation, not confrontation. with insurgent Tallban forces which drove him and his government from Kabul and now control two-thirds of the country. Reuter reports from Mazar-i-Sharif. Afghanistan.

Speaking to reporters just west of Mazar-i-Sharif in northern Afghanistan, Mr Rabhani sounded almost meek by comparison with remarks to reporters in Pole-Khomri on Monday when he vowed to take the offensive against the Taliban.

"We do not support more war. Everything possible should be achieved through negotiation." the Afghan president said.

Mr Rabhani arrived ln Mazar-i-Sharif on Tuesday for his first meeting in three years with Uzbek strongman General Abdul Rashid Dostum, whose military and political support is needed to stem the Taliban tide now threatening porthern Afghanistan.

The president said his aim was to form a hroad-based and united front against the Taliban and that he had invited all factions to join him in an effort to reunify the country.

"Our first aim is restore security to the country and to stop the fighting. We are trying to create uncerstanding and communication among all the ethnic

groups," Mr Rabbani said. This has been told to the Taliban too. If they don't

president agree then maybe the front Rabbani will have to make some military and political decisions

lt remained unclear yesterday whether Mr Rabbani had invited Gen Dostum to join the government or whether the Uzbek general would accept if invited.

Gen Dostum left the Rabbani government in 1994 after falling out with Mr Ahmad Shah Masood, the Afghan defence minister.

Mr Masood, who withdraw from Kabul with Mr Rabbani when it fell to Taliban two weeks ago. Is among the other factional leaders expected to arrive in Mazar-I-Sharif this week to see if an anti-Taliban alliance can be

Mr Rabbani rejected any notion of a federation with Talihan whereby Afghan istan would comprise a northern and a southern state inside its internationally recognised borders.

He said the goal should be a united Afghanistan, with no divisions, for the sake of the country and its neigh-

"The breaking np of Afghanistan could also lead to the hreaking up of Pakistan," he said.

Mr Rabbani said Taliban advances into the mouth of the Pansiher Valley had been stopped and the insurgents had also lost in fighting south of the Salang Pass.

"Tallban have been defeated fully there and they have lost a lot of men," he

# Higher oil prices boost Middle East purchases

By Roula Khalaf in London

With higher oil prices easing budgetary pressures, Iraq flexing its muscles and Iran perceived as a major threat, Middle East states will continue to lay out vast sums on arms purchases After a sbarp rise in arms

purchases after the 1991 Gulf war, budget deficits began to hit Gulf countries and arms deals almost This year however defence

spending has started to pick up again, according to the Milltary Balance, published yesterday by the International Institute for Strategic Studies (USS). The Middle East and North

Africa still represent the highest per cepita defence spending area, with Saudi Arabia, tha largest international purchaser of weapons, accounting for about a

outlay. The Saudi defence budget for 1996 will probably exceed last year's \$13bn to accommodate the scheduled delivery of combat and training aircraft this year and

Some economists in the kingdom have predicted that the extra oil revenue could be used to accelerate payment on military

and civil aviation programme The US is supplying 72 F-15 planes, delivering one a month since late last year. They will be followed by 48 Tornado strike aircraft and 20 Hawk advanced trainers from the UK, to be delivered within the next three years, Sandi Arabia is also looking to replace its old F-5 fighters in the next few years and to add another armoured brigade to its

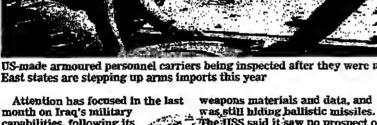
Elsewhere in the Gulf, Kuwait is in tha final phases of the weapons-buying programme

delivered.

ground forces.

after the Gulf war. In the United Arab Emirates. France, the US and the UK are \$6hn contract for 80 long-range. multi-purpose fighter bombers. Reports also emerged yesterday that the UAE had issued tenders for \$2bn of frigates, ships and fast





The IISS said it saw no prospect of-UN sanctions being lifted as long Mr Saddam Husseln remained

the end of the Gulf war. Main

war and many of the remaining tanks may not be operational. The only force which retains military tha Republican Guards which we're used last month in northern Iraq. Iraq's air defence capabilities are also questioned by IISS analysts, who believe radar systems may not be fully operational.



S-made armoured personnel carriers being inspected after they were unloaded at Beirut yesterday. Middle

### Attention has focused in the last month on Iraq's military capabilities, following its incursion into the northern:

The IISS notes that United. Nations inspectors have accused Iraq of resuming clandestine purchases of arms in violation of UN resolutions, that Iraq was still

HSS defence analysts estimate that the Iraq's army has about a third of the 1m men under arms at concealing biological and chemical battle tanks are down to about

half the 5,500 Iraq had during tha

# Nobel prize for discovery of special molecule

fibres;

By Clive Cookson, Science Editor

One British and two American scientists shared the 1996 Nobel Chemistry Prize vesterday for discovering the football-shaped

Sir Harold Kroto of Sussex University in England and Professors Robert Curl and Richard Smalley of Rice University in Texas confirmed the beautiful structure of fullerene during an intensive 11-day experiment in 1985. It has 60 carbon atoms arranged in a symmetrical

the molecule after the late Buckminster Fuller, the futuristic US architect who had designed geodesic domes with a similar shape.

Although the discovery seemed at first to be mainly of academic and aesthetic interest, it quickly stimulated a huge new field of research as scientists began to explore applications in many different fields.

More than 6,000 scientific papers have been published about fullerene science since 1990, when the molecule was first produced in large

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potential uses for fullerene and materials derived from high-temperature superconductors; drugs; ultra-strong super-slippery llghtweight

Austraija

Vietnam

South Korea

Japanese industry

lubricants; magnets; electronic superconductors; and many others. But none has yet reached the market. Sir Harold's share in the \$1.12m chemistry prize was the UK's first Nobel science award for eight years. It came as a relief to the UK sclentific establishment, which was growing increasingly concerned about the country's failure

There is now a long list of to win any Nobel science in interstellar space. prizes since Sir James Black won the 1988 medicine prize for his drug discoveries.

chemistry prize was Sir Aaron Klug in 1982. Sir Aaron, now president of the Royal Society, yeaterday congratulated Sir Harold on the award "which we have been expecting for some Both Sir Harold and Sir

Aaron said the fullerene

some

The last UK winner of the the Royal Swedish Academy of Sciences, which chooses

story showed the importance of funding curiosity-driven

The project originated

Sir Aaron predicted that other recent discoveries by UK scientists would soon be recognised by

Nohel laureati But he said the expansion of scientific research elsewhere in the world meant that the UK would never again be able to win Nohel science prizes at an average rate of one per year, as it had for four decades after the second world war. Three US scientists -

Prize. The Royal Swedish Academy of Sciences said the prize was awarded for their "discovery of their superfluidity in helium-3", a breakthrough low-temperature physics made in the early 1970s at Cornell University in New

York. Professors Lee and Richardson still teach at Cornell Prof Osheroff is now at Stanford University, California.

Each Nobel prize this year is worth \$1.12m. The money is shared between the

# and Robert Richardson Wrangles slow state sell-offs in Morocco

privatication honds remain

David Lee, Douglas Osheroff

By Rnula Khalaf

Morocco's privetisation ministry is fighting obstruction from other government departments in its campaign to speed up the sale of state ets. Proposals it put forward last spring have yet to receive cabinet approval. With Egypt accelerating

lts own plans and emerging as the main magnet for international portfolio funds destined for the Middle East and North Africa, investors have become increasingly frustrated by delays in Morocco, which has one of the region's largest privatisation programmes.

most innovative. In the past year, the privatisation minis. try has issued nearly Dh1.8bn (\$200m) in privatisation bonds which could be exchanged for shares in companies sold by the state.

vear, the number of companles privatised fell some way below target. Although the government raised close to Dh3bn (still short of the the evaluation committee's Dh4bn goal), some Dh1bn of prices too high.

outstanding and are being serviced by the government, Out of 112 companies on the privatisation list, only 45 have been sold. Fertima, a fertiliser company which the government tried to sell in 1994, will go on the market again next week. The government has set a target of Dh5bn for 1996-1997.

But Mr Abderrahmanr Saaidi, privatisation minister, has said he will meet it only if institutional constraints are lifted. First, he wants the evaluation committee, the indepen-

dent body which determines the minimum price at which assets can be sold, to set an indicative rather than a minimum price.
"Today, investors don't

even bid a little bit lower beceuse they know their bids will not be taken into consideration," a ministry But, in the first half of this official said. "This means we cannot even find out what tha market price is." Some 20 privatisations have falled hecause investors deemed

Secondly, the ministry wants to keep some of the revenues raised as an advance on its costs, a demand which pits it against the finance ministry. Privatisation officials said they recently discovered they could not afford to notarise a document because they had not received enough funding

from the finance ministry. Last year, the World Bank warned Morocco about excessive bureaucracy. It pointed a finger particularly at the finance ministry, which has its own financial controllers in every ministry who have to sign for every

Rivalry among ministries and rigid rules have already undermined ettempts to sup-ply the Casablanca etock exchange with privatisation issues. For example, several companies owned by the social security fund could be privatised on the bourse. However, the privatisation ministry has little incentive to spend time preparing for their sale because it is forced to hand the money raised back to the fund

### INTERNATIONAL NEWS DIGEST

# Algerian death toll put at 34

Moslem guerrillas killed 34 people, including 20 bus passengers, in the Algerian Saharan town of Laghouat, newspapers said yesterday. The official death toll given

earlier by security forces was nine. The ambush, one of the worst in nearly five years' checkpoint was set up south of the town, near a turnoff for Hassi R'mel, Algeria's biggest gas field. Many foreign energy experts work in the area, one of the "no-go" zones for which an official pass is needed.

### Egypt and IMF 'agree pact'

Egypt and the International Monetary Fund will tomorrow sign a new standhy credit agreement that will persuade international creditors to scrap \$4bn of Egypt's external debt, government newspapers said yesterday. Egypt last week cut tariff rates by up to 25 per cent, which economists said was the last of the Fund's preconditions for the deal. The newspapers quoted public enterprise minister Mr Atef Obeld as saying IMF approval

"The heads of the IMF and World Bank expressed their support for President Mubarak's policies; our agreement with the fund was total," he told the Al-Ahram newspaper in Washington. The deal would allow Egypt to withdraw. \$200m a year from the IMF, and should persuade Paris Club creditors to write off the \$4hn, the third and last tranche of Egypt's official debt, saving more than \$200m

### Tutsi rebels kill patients

Tutsi rebels have killed 34 patients and six staff at a hospital in eastern Zaire, a Zairean doctor said in Bultava yesterday. Some 100 Banyamulenge militiamen had arrived at the hospital in Lemera, to the south of Bukayu, and opened fire, killing the patients, four nurses and two doctors, Dr Aubin Mulaga said. The rebels had attacked because the hospital was treating Hutu wounded in the conflict between the Zairean army, Banyamulenge militia and local Zairean tribes.

### African food emergency

Several African countries auffer from chronic food shortages, despite improved food supplies in much of sub-Saharan Africa, the UN Food and Agricultural Organisation said in Nairobi yesterday. The Special Report on the Food Supply Situation and Crop Prospects n Sub-Saharan Africa said Burundi, Liberia and Somalia had been hardest hit. In countries such as Tanzania, large numbers of people are reported in need of food aid after local crop failures, despite a good overall cereal harvest. Other countries facing food emergencies included Angola, Eritrea. Ethiopia, Lesotho, Malawi, Mozambique, Rwanda, Sierra Leone and Zaire.

### Zambian president warned

Ona of the main Zambian opposition parties yesterday warned President Frederick Chiluba not to try to stay in office after his mandate expires at the end of October. Should Mr Chiluba attempt to continue in office without being re-elected or without the full consent of the Zambians, [he] will be putting Zambia at great risk," said Mr Dean Mungomba, leader of the Zambia Democratic

"We shall not recognise his government after October 31 and reserve the right to take whatever steps to ensure the announcement is Mr Chiluba's prerogative and he should not be pressed to make it.

### More Kurds flee to Iran

Up to 1,000 more Kurdish refugees have crossed into Iranian territory, joining thousands who have fied north Iraq since its takeover by a Baghdad-backed Kurdish faction in September, Iran said yesterday. The official franian news agency IRNA quoted an official as saying the latest group had crossed the border hear the north-western town of Baneh.

**New Zealand** 

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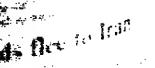
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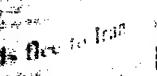
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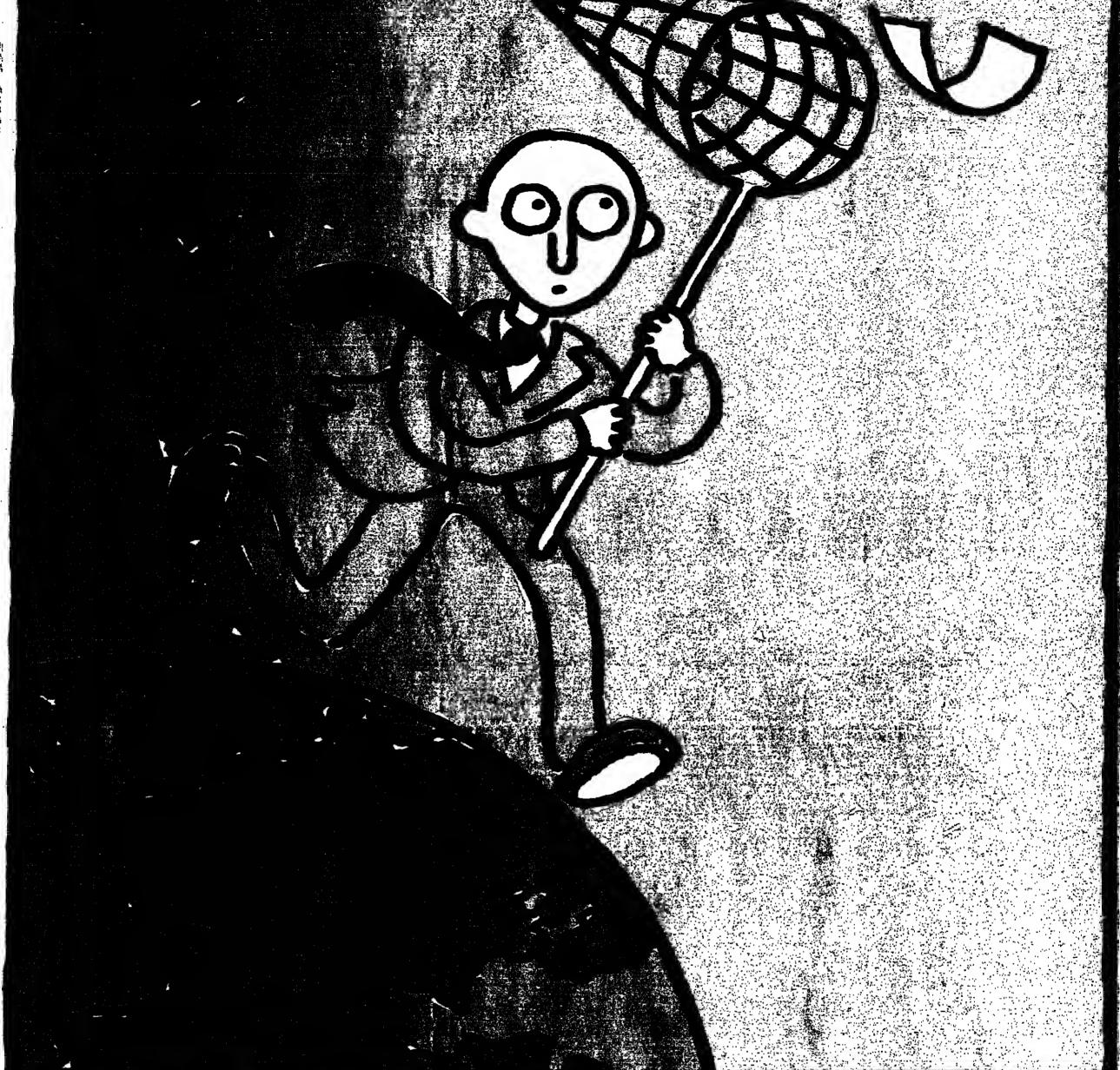
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# UK-Cuba trade rising despite Helms-Burton law

Britain's trade with Cuba Increased sharply in the first six months of this year and British business interest remains strong, despite US legislation aimed at curbing foreign investment on the island, according to the leader of a British trade mission to Havana.

Baroness Young said that British

the same period last year. This com-pared with full-year exports to Cuba of around \$30m last year. Cuban exports to Britain in the first half of 1996 rose hy 159 per cent to \$23m.

"I think British interest in Cuba remains very strong - the trade figures show this," Baroness Young said on Tuesday, following two days of meetexports to Cuba in tha first six months ings with senior Cuban government fig-

The trade results indicated tha success of the Cuba Initiative launched by Britain in October 1994 to promote trade and investment co-operation with Cuba, she said. Baroness Young jointly chairs the initiative with Mr Ricardo Cabrisas, Cuban foreign trade minister.

The figures did not do justice to the

ures, including President Fidel Castro. Baroness Young said. "UK participation is long term and involves commitment from quality companies," she

Baroness Young, who was accompanied by a delegation of British business people, gave no specific examples. But the Commonwealth Development Corporation, Britain's overseas development in Cuba's economic recovery, be developing a formula to provide involved in manufacturing on tha made the law." ment finance institution, is known to

prises on the communist-ruled island. A British-based investment company

specialising in Cuba. Beta Gran Caribe. recently made its first large investment in the Cuban financial services sector and a British insurance group has ing" in expropriated, formerly USagreed to form a joint venture in Cuba. Britain's BAT Industries and the Anglo-Dutch group Unilever are

working capital for business enter- island, respectively in the production of cigarettes, and soap and detergent Baroness Young repeated Britain's strong opposition to the US Helms. Burton law, which seeks to penalise foreign investors judged to be "traffickowned properties in Cuba. She said: "Our quarrel is not with the US administration but with the US Congress that

# Foreign policy divide is blurred by Dole the bipartisan



off-stage tensions ranging ELECTIONS from Bosnia November 5 to Northern Ireland, foreign policy has featured little in the US pres-

idential election campaign. This is true to form. As Mr RW Apple noted in the New York Times: "The rule was, foreign affairs could not win you the presidency but it could cost you the presidency". The victorious Gulf

war could not re-elect Mr Ms Jeane Kirkpatrick, for-George Bush four years ago, but the taking of US hosconfrontatages by Iran was a large nail in Mr Jimmy Carter's tion with last political coffin in 1980.

This year, President Bill Clinton has a foreign policy record that Republicans once thought a weak spot. They later had doubts in the wake of achievements in the Middle East, the Balkans and Ulster, and now are again beginning to helieve tha Clinton record worthy of renewed assault.

That, certainly, is the conviction of the foreign policy team advising Mr Bob Dole, the Republican presidential candidate. The group, led by often has an ad hoc feeling to it but at various times it has numbered illustrious forcabinet members, including ex-secretaries of state (Dr Henry Kissinger, Mr George Shultz, Mr James Baker) and defence (Dr

Dick Cheney). The problem, however, lies with the candidate himself. Mr Dole is, in many respects, a conventional partisan politician. But he cannot shrug off his belief that foreign policy, especially when US vital interests and lives are clearly at stake, should be conducted as far as possible

James Schlesinger and Mr

free of party bickering. This was evident in the debate last Sunday with Mr Clinton, Invited to criticise the president's handling of the Middle East, which the previous week he had called

"photo-op foreign policy", Mr Dole backed off and described Israal's relations

with its neighbours as a "dif-

ficult" problem. Similarly, given a clear opportunity to demand that all US troops be removed from Bosnia by their December due date, he contented himself with mild criticism of what he implied was the administration's fudging of

Mr Dole acknowledged ton's foreign policy, there-

back in the spring, in the preambla to a speech on Asian policies, that he might have a problem differentiating himself from Mr Clinton "because we both believe in

peace and free trade". He had been instrumental in helping the president to secure congressional approval for the Gatt and Nafta trade treaties, both initiated but not completed by Republican administrations. He had also, in the bipartisan spirit, not sought to block US military deployment in Bosnia for fear it would undercut the Dayton peace accords.

His criticism of Mr Clin-

ised than particular. In campaign speeches he promises to replace the "indecision, vacillation and weakness" that he regularly says has characterised Mr Clinton's conduct with his own

tough-minded approach. He likes to attack the "declinists and multilateralists" that he sees everywhere in the president's foreign policy team.

But Mr Dole has offered no more of a coherent and alternative post-cold war foreign policy in the campaign than was evident in his 35-year career in Congress, though much of that was spent with the US and the Soviet Union

In spite of Candidate is instinctively against party bickering on such issues, writes Jurek Martin locked in potentially deadly

> rivalry. Even when he dwells on details - expanding Nato fas-ter than would Mr Clinton. providing US allies with Improved anti-missile

> systems, being even tougher with the UN - Mr Dole is canny enough to offer few hard and fast hostages to

> He loves to hint be would appoint retired general Colin Powell, former head of the joint chiefs of staff, as his secretary of state, as Mr Clinton once considered. Mr Dole and Mr Powell are campaigning together this week, thus increasing the speculation over his role that Mr

Powell has now learned to live with

But, in the campaign, it is the pollsters and strategists who dictate most of Mr Dole's moves. The same is true of the Clinton side. Only when the two go headto-head in debate, as they will again next week, does the possibility of a foreign policy debate exist - and it would be subject to tight time constraints.

There is underlying concern in the president's camp that some crisis somewhere in the world could affect public opinion in the month that remains. Meanwhile, Mr Clinton is content to defend a foreign policy record that has become defensible and to change the subject to where his real strength lies.

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# Canada set to unveil tough deficit targets

By Bernard Simon in Turonto

Mr Paul Martin, Canada's finance minister, was expec-ted late yesterday to accelerate his drive towards a balanced budget by announcing a deficit target of 1 per cent of gross domestic product within the next two years.

Mr Martin was also expected to tell parliament in an npdate on fiscal and economic policy that the Liberal government was well ahead of the deficit-reduction goals set in recent hudgets.

public-sector finances coupled with low inflation and a strong balance of payments have contributed to a steep drop in interest rates, a buoyant Canadian dollar, and a confident business outlook. Canadian banks have lowered their prime lending rate from 9.75 to 5.5 per cent since May 1995, and yesterday announced a fresh round of mortgage rate cuts. Short-term interest rates

slipped below US levels in February, and the gap has steadily widened since then. Three-month treasury bills were trading at 3.47 per cent in Canada yesterday, compared with almost 5 per cent

Despite the slide in interest rates, the Canadian dol-

lar has gained almost 1 US cent in the past week, trading yesterday morning at about 73.80 US cents. Economists expect a significant further strengthening over the next year or two.

The budget deficit has narrowed from 5.9 per cent of GDP in the fiscal year to March 31 1994 to about 4 per cent in 1996. Mr Martin earlier pledged to bring it down to 2 per cent of GDP by 1997; 98. Under the new target, the shortfall will drop to I per cent of GDP by fiscal 1999.

Economists predicted that Mr Martin would that the deficit for 1995/96. projected last March at C\$32.7bh, turned out at less than C\$29bh. The improvement was due to strong tax revenues and the impact of lower interest rates on debtservice payments.

Mr Martin has so far resisted calls to siphon off part of the windfall for tax cuts. However, selective tax cuts are possible before the next general election, expected to be held within the next 12 months.

The economy has recently shown signs of a more broad-based recovery. Real gross domestic product expanded at an annualised rate of 5.8 per cent in July. with a strong rebound in the housing market.

# Menem backed on customs move

By David Pilling in Buenos Aires

Argentina's business community yesterday welcomed a decision by President Carlos Menem to merge the customs service and tax department, saying it marked the beginning of a

new assault on corruption. This way the two departments will be able to cross-check data and there will be much more control," said Mr Santiago Soldati. head of the Comercial del Plata conglomerate. "It's good to see Menem showing such strong leadership."

The intervention follows allegations that officials have over the past four years allowed \$10bn worth of smuggled goods into the country, representing an estimated \$3bn in lost reve-

nue.
The issue was brought to a head this week when a federal judge leading an investigation into smuggling ordered raids on several Buerics Airps locations including nos Aires locations including supermarkets owned by Wal-Mart of the US and Carre-

four of France.
Mr Menem's decision to merge the two departments, announced on Tuesday even ing, makes political as well as economic sense. Failure to act in the past against alleged customs fraud laid the administration open to accusations of indifference or even complicity.

The crackdown is one of several measures announce in the past few weeks by Mr Menem, who has taken a much more hands-on approach to government since his sacking in July of Mr Domingo Cavallo, former

economy minister.

Mr Menem has appointed as special administrator of the customs servica Mr Carlos Silvani, an International Monetary Fund technocrat who only last Monday took up his position as head of the DGI tax department.

Mr Silvani, who had already promised to cut tax evasion by 40 per cent over the next three years, will now be expected to stem the influx of smuggled goods which passes through the so-called "parallel customs". Last January, Mr Jorge Blanco Villegas, head of the Industrial Union of Argentina, alleged that goods were routinely entering Argentina illegally from free trade zones in Chile and Paraguay. He also drew attention to the practice of "phantom exports", where charlatan exporters ship empty trucks abroad in order to receive the tax breaks that Argen-

Mr Silvani's task will not be easy. It has long been estimated that the DGI collects only half the tax it should, but recent efforts to crack down on evasion have been largely frustrated. ...

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# Italian pasta makers challenge US duties EU rethink

### in Washington

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Italian pasta producers this week launched an appeal against a US Commerce Department investigation which led to duties being placed on their exports to

The companies say the probe into subsidies they receive from the Italian goverument and the pricing of their products in the US market was mathematically flawed" and based on old

The appeal is also a test of US trade law amended in accord with the Uruguay Round world trade agreement of 1993. This bars the US from retaliating against foreign companies receiving certain subsidies from their governments, including those to help less developed

The Italian companies are of Italian pasta, accused the appealing to the US Court of US companies of initiating

against 18 Italian companies

benefited from subsidies. The duties were imposed in July after the International Trade Commission, a US agency, ruled that the imports had injured US pro-

The rulings brought an outcry in the Italian media, with calls for Coca-Cola and McDonald's hamburgers to be dumped in the sea in retaliation. This has largely eubsided, and the Italian government has left the producers to mount their own appeal in the US. Mr. Peter Carolan, who

heads a group of importers

International Trade in New the anti-dumping and subYork against duties imposed sidy cases to raise all pasta department understated the on seven companies for prices in the domestic mardumping - selling at prices ket. The Italian companies dies for certain of the compaconsidered to be unfairly low also argue that increasing under US law. Also, the competition, higher prices appeal will challenge US for American durum wheat countervailing, duties and greater US costs for advertising were behind the

original action.

which were found to have Ms Jula Kinnaird, president of the US National Pasta Association, said the US companies had acted to restore fairness in the US market. "The outcome of the case [imposing tariffs] did not limit imports, nor did it keep them out of the US market. But it did mean they would have to price fairly. We will aggressively defend the US industry in the

appeals," she said. Mr Paul Rosenthal, a lawver representing the big US pasta makers, said the US manufacturers, would lodge their own appeal against aspects of the commerce

department investigation.

level of dumping and subsinies. Some of the margins should have been higher. They did not countervail some subsidies that were there, or calculated dumping

The long-running pasta wars have prompted campaigns in Italy against US exports and advertising drives to win US consumers. Turkish pasta manufactur

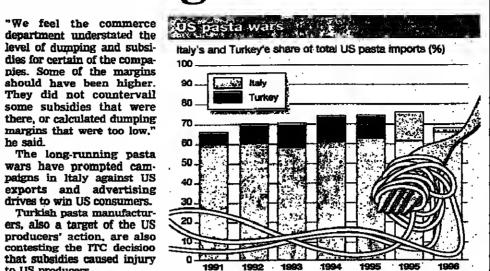
margins that were too low,

he said.

producers' action, are also contesting the ITC decisioo that subsidies caused injury to US producers. More than 100 brand names compete in the US pasta market. Many imports from Turkey, Greece, Mexico

sounding names which can confuse consumers. There was an initial fall in Turkish pasta exports to the habits. The premium end of

and Chile have Italian-



US after the tariffs were imposed, but it is still too early to determine whether the duties have dramatically altered US pasta purchasing

the market appears less high-and-sell-them-cheap outlets where there are fewer offers and promotions

# on cotton import duties

The European Commission has opened a second investigation into whether to impose anti-dumping duties on imports of cotton fabrics, after nine of the 15 EU memwould not accept the findings of its firet inquiry.

The proposed antidumping action, against Europe. imports of unfinished cotton fabrics from India, Pakistan, Indonesia, China, Egypt and Turkey, was presented to member states last month.

The Commission proposed provisional duties of petween 3 and 36 per cent on more than £400m (\$624m) of imports, equivalent to more than half of unfinished cotton fabric imports into Europe. However, nine EU member states now say they

oppose the proposal. European textiles manufacturers have mounted a vigorous campaign of opposition to the action. The nine states claim the duties will threateo more jobs in the

textiles industry than the alleged dumping. This leaves the Commission in an awkward position. It can proceed with the provisional duties, but if they are not confirmed within

nine months by a majority of

EU states they will be overturned It has therefore widened the scope of its original inquiry by sending new questionnaires to textile producers who buy imported fabric.

Eurocotton, the Brusselsbased industry body that is backing the action on behalf of French and Italian weavers, claims fabric weavers are losing sales as developing countries undercut them by between 28 and 36 per

However, European fabric finishers say they are dependent on the fabric imports because so little unfinished fabric is woven in Europe.

imported around 250,000 tonnes of untreated cotton fabric, but it only produced 95,500 tonnes, down 12 per cent on the 1990 production figure of 109,000 tonnes.

The finishers, who dye. ber states indicated they print and treat the fabric primarily for the home furnishings market, claim the duties will threaten thousands of jobs acrose

They have oow been approached directly by the Commission in a move to assess the net impact of the proposed anti-dumping action on European jobs.

The move follows deci-Sweden, Finland, Luxembourg, Ireland, Austria, the Netherlands and Denmark to oppose the action when it comes up for confirmation

### OECD Export Credit Rates

le Co-operat Development announced ner minimum interest rates (%) for officially supported expo credits for October 15 1996 to November 14 1996 (September 15 1996 to October 14 1996 in

D-Mark	6.1a	(6.46)
Ecu	6.24	(6.36)
Preach franc		(6.63)
Guilder		•
up to 5 years	5.85	(6.15)
S to 8.5 years		(6.80)
more than	0,70	longe
	7.00	CT 000
8.5 years	7.30	
Italian iira	8.29	
Yen	2.80	(3.10)
Peseta	8.90	(9.32)
Sterling	8.21	
Swiss franc	4.93	(5,13)
US dollar for credits		,,
up to 5 years	7.41	(7.21)
5 to 8.5 years		(7.39)
	7.000	(1,70)
more than		
8.5 years	7.73	(7.52)

These rates are published monthly by the Financial Times, normally in the middle of the rounts. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid, interest rates may not be their for more than 120 chys.

# World air freight fleet is forecast to double

### By Charles Batchelor, **Transport Correspondent**

Demand for air freight is expected to grow at a faster rate than passenger traffic over the next 20 years, leading to a doubling in the size of the world fleet of freighter aircraft, Boeing says in its 1996 World Air

Cargo Forecast.\* Air freight traffic is forecast to increase by 6.6 per cent a year compared with 5.1 per cent for passenger traffic. Boeing expects more than 2,000 freighters will be needed over the 20 years to accommodate traffic growth and replace ageing aircraft. The size of the world fleet

is predicted to grow from 1,219 all-cargo aircraft at the end of last year to 2,261 by 2015, after allowing for the scrapping of old aircraft. The biggest increase is expected for large-capacity freighters, with forecast aircraft capable of carrying

enger sector has led airlines to focus on the possibility of earning revenues from their cargo holde. Cargo revenues account for an average 16 per cent of total international airline revenues but exceed 30 per cent for come airlinee. Freight yields recovered elightly in 1994 and 1995

A squeeze on profits in the

vious years. "The cargo side is very important because it can often mean the difference between an annual profit or loss for the airline," said Mr Bruce Dennis, vice-president of marketing at Boeing

Despite the prospect for continuing long-term growth there has been a slowdown in the rate of cargo traffic increased by nearly 10 per cent in 1995 demand for 600 additional compared with 12 per cent the year before and a forecast of up to 7 per cent this ton 98124-2207, USA.

By region, the fastest growing market over the next 20 years will be within Asia, where cargo traffic is expected to rise by 9 per cent a year. Other top growth routes are Asia to North America, with projected growth of 8 per cent a year, Europe to Asia, with 7.4 per cent, and Europe to after declines in the two pre-North America, with 7 per cent.

> One of the most significant trends identified over the next 20 years will be the increase in international ing the growth of services in the US. In 1995 international air-express accounted for 5 per cent of the total market, representing an increase of 22 per cent over

Continuing annual growth increase in recent years. Air rates of 18 per cent are fore-\*Boeing Commercial Airplane Group, PO Box 3707, MS 75-14, Seattle, Washing-

# Central America plans trade bloc with Caricom

### By Canute James in Kingston

The Caribbean Community (Caricom) and the Central American common market are to begin talks on combining the two trade blocs. They hope to negotiate a free trade agreement which will strengthen their economies and prepare them for the heric free trade area planned for 2005.

Trade ministers from the 19 countries in the two blocs will meet in Costa Rica next month to set a timetable for the negotiations. The talks are expected to conclude by next July. The trade agreement is

one of several which Caricom is seeking with its neighbours. Talks are planned with Colombia, the Dominican Republic, Mexico, Venezuela and Mercosur (which groups Brazil, Uruguay, Paraguay and Argen-

Mr Ralph Maraj, Trinidad and Tobago's foreign trade

minister, believes an agreement between Caricom and the Central American common market will be good for both groups, "The Caricom and Central American countries are et the same stage of economic development, and have similar economic problems. An enlarged market which a free trade agreement will bring will assist both sides."

An agreement would also strengthen the Caribbean basin countries' efforts to win freer access to the North American Free Trade Area. Caribbean and Central American countries have asked the Nafta members (the US, Canada and Mexico) to dismantle all restrictions on their exports to Canada and the US. They say that without this, they will lose markets to Mexico.

Caribbean and Central American governments are also concerned about the impact of the Free Trade Area of the Americas (a visionary plan embracing

year 2005) on their small and open ecocomies. "This free trade agreement we are seeing with the Central Americans will strengthen not only the economies of the countries involved, but will give business and industry e better chance of eurviving in the wider free trade area which will be created in

the entire bemisphere by the

nine years," said Mr Maraj. The talks between Caricom and the Central American common market will have to overcome a history of poor relations. There are few transport links between Central America and the islands, and the two have little trade with each other. Relations have been made worse by a bitter row over

the Caribbean'e preferential access to the European Union's banana market. Some Latin American producers have supported the US complaint to the World Trade Organisation that the EU's preferences are discrim-

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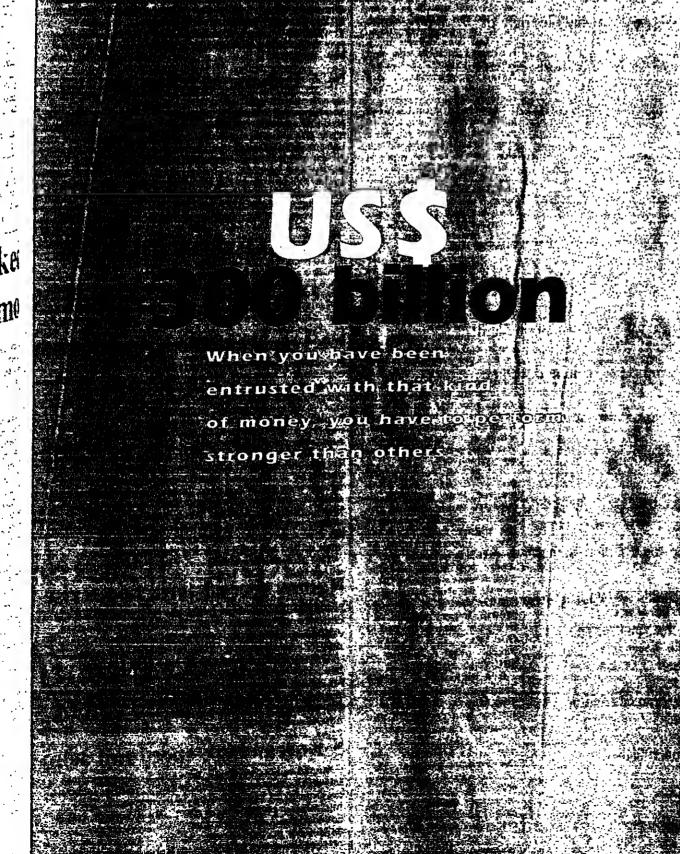


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# Labour laws threat to Korean OECD bid Supporters of

By John Burton in Seoul

South Korea's reform of militaryera labour laws appears to be on the verge of collapse, which could jeopardise its bid to join the Organisation for Economic Co-operation and Development this year.

The OECD governing board is scheduled to meet today to con-sider South Korea's membership after it postpooed a decisioo two weeks ago to wait for a report from Seoul on proposed labour reforms. industrial relations has been curbs on trade union activity.

unable to offer proposals after trade union representatives boycot-ted the committee in protest against alleged efforts to stifle reform. In response, the government bas recommended the revision of labour laws be shelved.

Most European Union members of the OECD have criticised South Korea for its tough labour laws, which ban multiple trade unions and prohibit third-party intervention in labour disputes. Dozens of labour organisers have been jailed But a government commission on in the past few years for violating

Although labour standards are not considered a requirement for OECD membership, most EU members and OECD officials have argued that South Korea's labour laws should be examined as a measure of the country's adherence to basic human rights. Seoul established the labour law reform committee in May as part of the OECD

membership process.

The labour issue provoked a sharp debate at the last OECD governing board meeting in late September. Several countries, including Japan, Canada, Australia, New

the review of Korea's application. The US joined most of the EU members in delaying a decision on Korea's membership until today. when the labour law proposals had been expected to be received.

 South Korea yesterday intro-duced measures to cut production costs in an attempt to improve export competitiveness. Large corporations, normally barred from using cheap foreign credit for domestic investments, will be

Zsaland, the UK and Finland, allowed to borrow foreign curren-argued that an examination of cy-denominated loans from domes-labour laws should be waived in tic banks to buy Korean made capital goods. This will ease financial costs since Korean lenders com-

mand high interest rates.

The price of state-owned industrial land will be lowered by 25 per cent on average. Some 10,000 public sector jobs, mostly among rail and postal workers, will he lost over the next four years. Korea Telecon telephone rates were reduced and 8 per cent taken off the price of hotcoiled steel produced by state-run Pohang Iron & Steel.

surveying the campaigning

on the streets is sceptical of

even the opposition parties: "They all claim to be for

change, yet when they've

had the chance, not much

has changed. How can any-

Another elderly man

points out that there has

been no real reform in the

fundamental dynamics of

Japanese politics, which

remain rooted in money.

"The main efforts the parties

make are not in emphasising

policies, but in getting

face-to-face contact with as

money politics and it dem-

onstrates the uncomfortable

truth about Japanese politics

soul of the voter. Though

many say they want a

reformed system, where real

political choice is the norm,

they are still content to go

on receiving the largesse of

politicians and giving them

their votes in return. .

a curious duality in the

That is a euphemism for

many voters as possible."

one believe them?"

# Mahathir fail in party polls

in Kuala Lumpur

Dr Mahathir Mohamad. Malaysia's prime minister, suffered an unexpected blow to his prestige yesterday after two of his high-profile supporters were defeated in

crucial party elections. The main casualty was Ms Rafidah Aziz, Malaysia's outspoken and internationally respected minister for international trade and industry. However, her failure to win a key post in the United Malays National Organisation (Umno), the main partner in the governing coali-tion, is unlikely to cost her her ministerial job.

Dr Mahathir, who is unchallenged for the post of Umno president in this week's triennial elections, is empowered to make appointments to the party's supreme council, qualifying those selected for inclusion in cabinet.

The second casualty yesterday was Mr Abdul Rahim Tamhy Chik, another Dr Mahathir favourite. He lost his position as head of the party's youth wing to Mr Ahmad Zahid Hamidi, an MP whose standing sank after a sex scandal, though a court later cleared him of all

Umno elections are regarded as more important than national polls, which were last held in 1995. This is because the Barisan Nasional, the 14-party coali-

tion since independence in 1957. Top government jobs generally go to top Umno officials.

The Umno election is also significant because of signals of shifting internal support for the prime minister and his deputy, Mr Anwar Ibrahim. The unexpected defeat of two of Dr Mahathir's trusted lieutenants is a sign his power base in the party may be weakening.
The two winning candi

dates are generally regarded as supporters of Mr Ibrahim, who is also finance minister. There has been much speculation in Malaysia over whether Dr Mahathir, 70, prime minister for 15 years, may bow out to make way for Mr Anwar at the party's next general assembly in 1999, or even before.

Pressure may increase if the prime minister loses several other expected proxy battles between his and Mr Anwar's supporters in today's polls for the party's supreme council and three vice-presidential posts.

Political analysts said Ms Rafidah's loss was the most surprising. Some Umno delegates criticised her as being remote from the grassroots of the women's wing. Others said allegations last year that she broke ministerial guidelines in allocating preferentlal shares to her son-in-law had damaged her reputation. She was cleared of any wrongdoing.

Japan's voters turn deaf ear to party drums

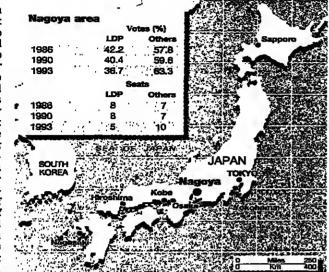


who did not even beloog to political weeks ago Mr Tetsuo Domorl remarkably confident about the forthcoming

JAPANESE general elec-**ELECTIONS** tion. As an October 20 organiser for -the newlyformed Democratic Party of

Japan for a vast swathe of the country based around Nagoya, the country's fourth largest city, Mr Domori is looking forward to sweeping up to a fifth of the seats in the region, "Our message is about returning power to the people - and the people are turning to us," he says.

The DPJ is the blggest talking point across the country in the campaign for the general election on October 20, Founded two weeks former social democrats, party in the Nagoya area, a three years ago, in Nagoya,



critical heliwether for the as in most of urban Japan, it

and a large number of independents, its principal platform - taming the all-power-

ful bureaucracy - is a popular one. The party is hoping to make big gains from the govago from a combination of erning Liberal Democratic too. But at the last election

country as a whole, For most of the post-war period, the LDP was dominant there; it built on its traditional support in surrounding rural districts and regularly won a majority of seats in the city.

If the party of Mr Ryutaro Hashimoto, the prime minis-ter, is to strengthen its position as the largest in parliament, and perhaps even return to governing alone, it needs to recover some of its Nagoya. But, though national polls point to some gains, the evidence from the oonstituencies snggests it faces a tough challenge, not just from the fledgling DPJ but also from the slightly more established main oppo-

sition New Frontier party.
Outside the Mitsukoshi department store, Mr Takashi Kawamura of the NFP is doing the Japanese equivalent of pressing the flesh. The bows he receives from local voters are more than just courteous, however, Clearly a popular sitting member for the central district, he is also eagerly claiming the mantle of politi-

cal reform. But, in spite of the bold claims of the main opposition parties, they know their real enemy is voter apathy laced with a heavy dose of

cynicism. The turnout, never reform this time. One voter very high in Japan, is expected to be the lowest ever this year, with little more than half those eligible to vote likely to do so. Few people in Nagova showed much interest in the clamour. The new old dominance in areas like electoral system, a complicated hybrid of single member and multi-member seats is partly to blame, but the more important reason is cynicism.

> was billed as an historic election, voters ousted the LDP, which had governed for nearly 40 years. They chose instead a number of breakaway parties of ex-LDP members. But, since then, they have watched as the old party has gradually regained power, and the slow movement towards reform has stalled. Even the opposition parties, for all their talk of reform, have exhibited clear

signs of recidivism. The disillusion is widespread. All the main parties look the same; they all trace their origins back, in some way, to the old LDP. All of them promise bureaucratic

Gerard Baker tion which Umno dominates,

Japanese trade surplus falls 29%

By William Dawkins in Tokyo

dented Y333.8bn. The overall surplns in goods and services declined by 92.5 per cent to Y22.9bn. Finance ministry officials forecast that the decline in the current account surplus would continue for the time being, in line with the government's continued deternomic recovery.

But private sector econodisagreed. They SBC Warburg Securities.

One indicator of weaker domestic demand emerged yesterday in the form of a 1.3 per cent decline in outstanding loans by Japan's top 10 banks in the six months to September, over the previous half-year. This was because of a decline in corporate demand for loans to finance capital spending, said the Federation of Bankers' Associations of Japan.

Japan's current account surplus fell 28.9 per cent in August compared with the same month last year, towards the lower end of market expectations. prompting economists to predict continued weakness of the yen. The surplus fell for the 21st month in a row to Y460.6bn (\$4bn), according to finance ministry data. The fall was driven hy a continued imports rise and weaker exports to other Asian countries, and reflected a pause in the

region's economic growth. Imports of manufactured goods increased by nearly 15 per cent to Y2,808bn, more than three times the 4.5 per cent growth rate of exports, which reached Y3,374bn in August. That left the merchandise trade surplus down by 27.8 per cent to Y566.7bn, the smallest surplus ever recorded for August. On services, where Japan traditionally runs a deficit, the gap increased by 13.2 per cent to Y543.8bn, thanks to record monthly spending by Japanese tourists abroad. The shortfall on the tourism account hit an nnprece-

mination to hold down the yen to support a halting eco-

mists warned that the pace of decrease would slow in the next few months, because of the higher local currency cost of imports created by the yen's weakness, plus a recent weakening in Japanese domestie demand, "It is inevitable that because of the weakening of economic growth, import demand will be slower towards the end of this year," said Mr Brian Pearce, chief economist at

Financial institutions are meanwhile ploughing more cash into foreign securities, according to the balance of payments data.

Vietnam curbs foreign workers Vietnam has banned most foreigners at joint venture and

ASIA-PACIFIC NEWS DIGEST

wholly foreign-owned companies from working more than three years in the country under a law which also requires foreign companies to train local replacements for their foreign staff. Rules published in the official media yesterday said

most foreigners would need to apply for work permits in addition to their existing business visas. Those exempt include diplomats, employees of non-governmental organisations, the foreign media and executives in company representative offices. Members of boards foreign-owned companies are also exempt.

The staff localisation rule is likely to irk many foreign companies. They already find it difficult to replace foreign with local staff because of severe shortage of skilled Vietnamese workers. A punitive income tax regime which makes the hiring of skilled locals expensive will also not help, they say. Jeremy Grant, Hanoi

NZ Labour narrows the gap

New Zealand's main opposition Labour party has dramatically narrowed the gap with the conservative National government before Saturday's general slection, according to a poll published yesterday. Centre-left Labour polled 26 per cent, up five points, while prime minister Jim Bolger's National party plunged seven

points to 30 per cent.

The TV3 poll showed a strong shift to the left, with Labour's likely ally, the five-party leftwing Alliance grouping, up three points at 17 per cent. The probable third party in the group, the economic nationalist New Zealand First, fell three points to 13 per cent. The result of the election hinges on which way New Zealand First and its charismatic Maori leader Winston Peters jumps. He has said he favours Labour's social policies but has concerns about its economic policies. Ms Helen Clark, Labour's leader, has decisively won

two televised debates with Mr Bolger, according to a computer device which measures reactions of an audience of undecided voters.

BhS ends supplies from Burma

Storehouse, the UK retailing group, said its BhS subsidiary, has ceased taking supplies from Burma and has no plans to resume. The move was hailed by the Burma Action Group as first evidence of success in its boycott campaign against companies which import Burmese goods. It said it would now halt action against BhS, but would continue its campaign against other importers, notably Debenhams, part of the Burton group. Storehouse, however, denied its move was a response to the campaign. It said a supplier had a small contract in

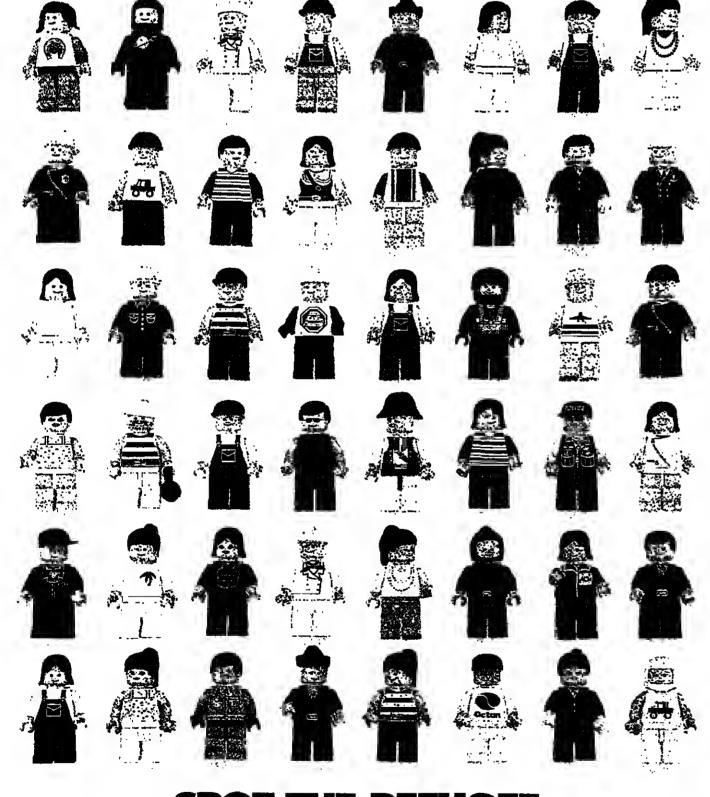
Burma for men's casual shirts which had expired. The clothes were made in a good factory by a workforce paid above the market rate and there was no use of child or forced labour. Mr Richard Dixon, head of corporate affairs, said Storehouse had not felt under pressure from the Burma Action Group, though "we would have to think quite hard before placing another contract in Burma at the moment". Peter Montagnon, London

Ramos second-term hopes rise

President Fidel Ramos's bopes of a second term were strengthened yesterday when the Philippines' election commission said there was no legal impediment to a plebiscite to scrap term limits on elected politicians. The plebiscite, which is likely to be held at the same time as local elections next May, could go ahead if the required 12 per cent of the electorate's signatures had been gathered in time. More than half the stenatures required to hold in time. More than half the signatures required to hold the referendum have already been gathered in a so-called Edward Luce, Manila

S Korean high-speed rail delay

The head of South Korea's high-speed rail project said The head of South Korea's high-speed rail project said yesterday the opening of the Seoul-Pusan line, scheduled for 2002, might be delayed by up to four years. The admission is embarrassing since the rail project, using French-developed TGV trains, is the prestigious centrepiece of South Korea's efforts to improve its overburdened transport system. Korean officials, for example, said the new rail system would ease transport problems when they successfully lobhied to co-host the 2002 World Cup Games with Japan. John Burton, Seoul



### SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.



United Nations High Commissioner for Refugee

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an

open mind. And a smile of welcome. It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information P.O. Box 2500 1211 Geneva 2, Switzerland

don City airport, has collapsed

World Airlines, whose sole route

served Amsterdam's Schiphol, had

its leased BAe 146 jet impounded at

London City Airport last week

fees. The airline maintained then

that the bill could quickly be set-

tled. But the airport, sited about

is seeking clients to test its claim.

afflicted by the millennium "bomb"

the results of a prototype".

**UK NEWS DIGEST** 

day that "substantial overdue pay- and London City.

Effort to defuse

systems 'bomb'

A small UK company which believes it has a radical

answer to the so-called "millennium bomb", which threat-

ens most business computers after the end of the century,

Mr Mark Chapman, founder of the PHD Group, a con-

sultancy specialising in the Internet, said the solution, based on Internet technology, was simple and inexpensive

compared with conventional approaches. It would be of

value to between 20 per cent and 40 per cent of systems

Some computer experts believe the PHD approach mer-

its serious attention. Mr John Ivinson, spokesman for the

said it was novel: "It would, however, he interesting to see

British Computer Society on the millennium problem,

Others are sceptical. Mr Nick Jones of the Gartner

Group which advises large companies on computer mat-

ters said he doubted that Internet technology was suffi-

of computer systems. Systems attempting to process a

to find their systems rejecting information with dates

Mr Chaoman'a solution depends on using the main-

frame as a repository for data. A second computer or net-

work server connects the mainframe to an "Intranet", a

Internet. As deta move through the server, dates are

Two charged over rights issue

SERIOUS FRAUD OFFICE

Serious Fraud Office.

only on spares and repairs.

■ PRIVATE FINANCE INITIATIVE

vate capital into the public sector.

occupy on a long lease.

worth £3bn (\$4.68bn) to £4bn.

**■ ELECTRONIC CASH** 

company-wide computer network obeying the rules of the

changed to indicate the correct century. Alan Cane

The former chief executive and the former company secre-

tary of Norton Group, the motorcycle manufacturer, have

been charged with fraud and contravening the Financial

Mr Philippe Le Roux is facing three counts in connec-

tion with his role in a 1990 rights issue. Mr Peter Hooper,

Norton's former company secretary, has been charged on

the same counts. All the charges relate to the rights issue, which Northn planned to fund its £8.2m (\$12.6m) acquisi-:

At the time, only 11.2 per cent of Norton's shareholders took up the rights offer. That left Mr Le Roux and his private company, Manstorm, with a £1.75m underwriting

commitment which they could not meet. The handling of

has not yet concluded. Mr Le Roux resigned as chief exec-

utive in 1991. Both men derry the charges. Motorcycle pro-

duction at Norton's factory has ceased and it is surviving

Approval for defence HQ scheme

The Ministry of Defence headquarters near the Houses of

Michael Portillo, defence secretary, has given approval for the huilding to be refurbished under the government's

Parliament, which is one of Britain's most secure hulld-

ings, is likely to be transferred to the private sector. Mr

Private Finance Initiative, which aims to introduce pri-

If the model of other PFI projects is followed, the pri-

manage the hullding, which the ministry will continue to

vate sector will be asked to substantially rebuild and

Government accommodation has proved one of the

most fruitful areas for the private finance initiative. The

most amhitious property-related project is a proposal to

transfer more than 700 Department of Social Security ben-

efit offices to the private sector in a contract likely to be

The race to replace notes and coins with electronic cash

hots up this month as The Mondex consortium is soon to

The group, which includes British Telecommunications

Midland Bank and National Westminster Bank, is issuing

students at York and Exeter universities with the cards,

tronic money from automatic teller machines and home telephones. The cards are "swiped" through retailers' tills

sign an authorisation slip as they do with direct dehit and

credit cards. Mondex is well ahead of its main rival in the

Lloyds Bank. It could be a year before VisaCash starts its

which contain a microchip that can be loaded with elec-

to deduct payment for purchases. Users do not have to

UK, VisaCash, whose backers include Barclays and

Smartcard trials extended

extend trials of its "electronic cash" smartcards.

the rights issue led to a UK government inquiry, which

tion of FUS, the German fasteners business.

Services Act following a three-year investigation by the

two-digit date cannot tell the difference between the 20th

and 21st centuries. Big organisations are now beginning

The millennium problem is a consequence of the design

ciently advanced to be applied to such a problem.

because it had not paid landing

amid a fierce price war.

# Athir fall Fierce price war fells business airline Defender of Mar UK operates other routes from Stansted, 75km north-east of vesterday sent a complaint to the vesterday sent a

RSDAY OCTOBER IS IN

World Airlines, which this summer offered husiness travellers a luxury route to the Netherlands from Longue

MINTER. W C. W detalay State 113 事 本 なっぱし 1000 i inter The same Figure. Ed. Da in Said

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supplies from Ba (A. 4) April 1 - Sec. The same 黄 海 # w :-44 T Ex Paris August 1 106.3 \$ -7 ( Preserve - 12) 

الله الأعلى المالية No. of the last

Marchen War A retrain 

**基注"(\*\*\*)** 

which special -

The second second

active emissions to air and water would heighten fears of health risks, despite BNFL's argument that "recycling" fuel is good for

Thorp (Thermal Oxlde Reprocessing Plant) sepaexactly 40 years ago. Donhis rates spent fuel from nuclear reactors into uranium and plutonium which can be re-used - and unusable high-level radioactive waste which is vitrified

and stored. starting operations in 1998

offered husiness travellers a luxury which was unavailable for comroute to the Netherlands from Lonment yesterday – is understood to cent owned affiliate of RLM, the ment yesterday - is understood to Dutch flag carrier which small have passed recently from Mr Nick rivals accuse of orchestrating a Stolberg, a UK entrepreneur, to predatory pricing policy. Star Airlines, a Turkish cargo car-

EasyJet, a ticketless airline rier. "They do not appear to have which since April has served put more money into the com-Amsterdam from Luton, 100km pany," said Mr Richard Gooding, north of London, two months ago London City's managing director. sent KLM a lawyer's letter accus-The damage tn World Airlines ing it of abusing its dominance of the market. This came after KLM cutting the UK carrier. Mr Stelios

Brussels. It alleges that KLM is which is intended to ensure a comselling seats below their cost with pany commanding any market the aim of forcing his airline out of Schiphol. The document cites as evidence a Financial Times report from August, in which a KLM official acknowledged that an internal memorandum had described the price cuts as necessary "to stop the

ing money on the route or to indi-

growth and development of

does not use its position unfairly towards competitors.

In a speech last month Mr Neil Kinnock, EU transport commissioner, praised EasyJet and other new entrants to European routes for hringing down the cost of travel. He pledged "more focused attention to potential abuse of market position by dominant carriers in specific national and regional markets within the EU."

### By John Kampfner. Chief Political Correspondent

Leading memhers of the Conservative party claimed at their annual conference last night thet hardline Eurosceptics had been sidelined when Mr Malcolm Rifkind, foreign secretary, won a standing ovation after defending the prime minis-"wait and see" approach to monetary union. Pleading with Conserva-tive MPs and activists for patience. Mr Rifkind said the UK had nothing to gain from

wins ovation

ruling out participation in a single currency now.

Careful stage management and a reluctance among delegates to stoke controversy during a question-andanswer session with Mr John Major, the prime minister, ensured that the bitter divisions over Europe have so far been confined to the

Aides said Mr Rifkind's intervention reinforced the assertions of Mr Major that policy on the EU single currency would not he changed. It might have dissuaded dissidents from barracking Mr Kenneth Clarke, the chancellor of the exchequer, during his speech today.

Mr Clarke, who has infuriated many in the party with

### CONSERVATIVE PARTY CONFERENCE

his outspoken pro-European views, is expected to follow the lead and keep firmly to the agreed line.

Mr Major, in his discussion with delegates, said he could earn "easy applause" by ruling out membership of a single currency. But he relterated that he did not want Britain to be isolated from the "higgest political decision" in recent times.

While standing by the cur-rent position, Mr Rifkind let it be known that he sym-

Emplnyers and industrial relations experts were sceptical yesterday about government proposals on Tuesday that trade unions which used "monnpoly power" to call strikes might be made liable for damages, Andrew

Bolger writes.
Mr David Cockhurn, the chairman of the Emplnyment Lawyer's Associatinn employment law committee, said: "It seems bizarre in concept and unworkable in practice.

The present law already provides for the public tn take action against unions if they act unlawfully in taking strike action. Is it now proposed they should he able to sue the unlons even if they are acting within the

Ms Ruth Lea, head of the policy unit at the Institute of Directors, said: "We are nnt overly supportive of try-ing to ban strikes in essentiel services - mainly because we don't think it is practical to do so."

Editorial Comment, Page 17 pathised with the feelings of

those who wanted to ensure that Britain did not take part in the first phase of European Monetary Union. Mr Rifkind said the single

currency might not start for several years. "The nation therefore loses nothing by deferring e decision." The interests of the City of London, husiness and other interest groups such as farmers would he harmed hy a change in policy.

 Mr Costa Lobo, Portuguese amhassador to the UK. was summoned to the Foreign Office in London last Friday to hear e protest about his prime minister's endorsement of Mr Tony Blair, leader of the opposition Labour party, at the annual Labour conference. Mr Major was said to have been infuriated at the video

### came three months after it began EasyJet. operating, when Air UK launched a more than halved its discount fares The Dutch airline yesterdsy 10km east of the City, said yester- cheaper service between Schipol to F1 190 (\$46) return - underdeclined to say whether it was los-

German car company stresses long-term commitment

# BMW to raise Rover output

By John Griffiths in London

BMW made clear yesterday it was committed to a 50 per cent increase in production - to about 750,000 vehicles a - at Rover Group, its British subsidiary. It was prepared to invest £3hn (\$4.6bn) before Rover even started to earn profits.

"We could make Rover [which lost £158m last year] profitable in two years easily." Mr Walter Hasselkus. Rover's chief executive, stressed in his first interview since taking over at the company six weeks ago. But we are interested in Rover Grnup for the long-term, not in short-term profitability."

Mr Hasselkus, a main board member of BMW as well as a former managing director of BMW (GB), discounted reports of cultural clashes between Rover and BMW managers.

He disclosed structural changes for Rover's model ranges and suggested only a small gap remained between BMW and the UK government over the financial aid needed for a firm commitment to a £500m plant in the English Midlands to produce 400,000 engines a year for Rover and BMW. He indicated that Rover was a considerable way from meeting BMW quality standards but this was being addressed. Actinn was also being taken to revive Rover's UK

Consumer Industries Editor

Bringing alcohol across the

France has become "a way

of life" for British drinkers,

with each vehicle on ferries

carrying an average of 80 bottles of wine and 6.7 bot-

tles of spirits, tha Wine and

Spirit Association said

The trade posed a growing

threat to UK government tax

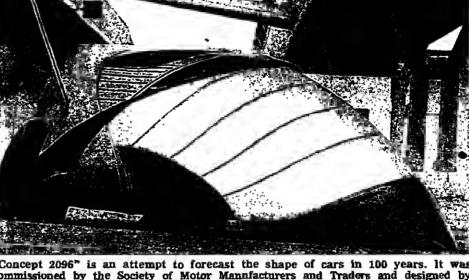
revenues, with the volume of

wine imports up hy 67 per

cent and spirits by 14 per

cent this year over last, said

English Channel from no alcohol, its latest one-day



"Concept 2096" is an attempt to forecast the shape of cars in 100 years. It was commissioned by the Society of Motor Mannfacturers and Traders and designed by Coventry University and consultants Geoff Matthews Design for display et next week's British International Motor Show in Birmingham, John Griffiths writes. The 500kmh vehicle would have a driverless navigation system, making redundant the steering wheel and the need for driving skills.

a total of five body plat-

forms, are to be replaced hy

front-wheel-drive vehicles

based on just two platforms.

Despite speculation to the

contrary, these platforms

the association in its annual instances of this." said Mr Europe, the association said

David Grant, chairman of

the WSA and a senior execu-

tive of William Grant &

Sons, the Scotch whisky dis-

government is losing £573m

(\$894m) a year in excise duty

and VAT on wines and

spirits bought duty-paid in

France and hrought back to

the UK. The UK government

duty alone on wines and

The only solution was to

levels found elsewhere in down to French levels.

reduce UK excise duties to

spirits in the year to July.

The WSA estimates the

sales, which have stagnated strategy, the Rover 800, 600, he noted. It would still be at about 10 per cent of the 400 and 200 ranges, based on market this year. Steps included completing the restructuring of Rover's dealer network, cutting numbers from 500 tn 350. with each dealer capable of creating a more upmarket image for the Rover hrand. This would be as a prelude to new Rover models becoming available within the next Under Rover's new model BMWs are rear-wheel-drive,"

survey of cross-border shop-

survey found, compared

with one in five cars in 1995

and one in four in 1993.

Cross-Channel imports now

account for 25 per cent of the

wine and 11 per cent of the

spirits consumed in the UK.

escalating sums of excise

duties on large-scale fraudu-

lent shipments of spirits hy

container. "We keep coming

across new and substantial

The UK government is

Only one car in 50 carried

will not be based on BMW models hut developed separately by Rover. "It would not be easy to share platforms since Rover will be front-wheel-drive and possible to create widely varied sizes and styles of cars on the two platforms, while making substantial savings in costs. The style and equipment of new Rovers would empha-

sise "Britishness" hut would "relaxed" rather than sporting, allowing Rover to share upmarket nicbes in the world car market with only limited nverlap with

Wine now attracts duty of

£1.05 a bottle, compared with

2.5 pence in France, and

spirits £5.77, sbout double

the French rate. In addition

to duties, drinks sttract

ernment should cut wine

duties hy 13 per cent a year

for five years. That would

more than halve the differ-

ential against French duties

border shopping. Spirit

duties should be cut at the

same rate to bring them

and thus discourage cross-

The WSA said the UK gov-

### **PUBLIC NOTICES**

### **Broadcasting Complaints** Commission

In December 1994, Central Television broadcast a programme in the Cook Report series called Bad Medicine. It set out to highlight the scrivities of "quacks cashing in on the hopes and fears of cancer patients". According to the programme, one of the people investigated appeared to offer magnetotherapy as a cancer treatment. During the programme she was shown apparently offering a magnetotherapy machine for sale to an undercover researcher. A photograph of a magnetotherapy machine was also shown, the machine being one manufactured and sold by a Danish company. Mr Erik Nielsen, the company's general manager, complained through Mr Coghill of Coghill Research Laboratories to the Broadcasting Complaints Commission that the programme had unfairly suggested that his machine was dangerous and that magnetotherapy had no beneficial aspects.

The Commission consider that the programme's unqualified use, albeit flectingly, of the phrase "extremely dangerous" notwithstanding its statement that magnetotherapy "may have some legitimate uses" - can burdly have been less than detrimental to Mr Nielson. There was therefore some unfairness to him in this respect. That said, the Commission note that the programme did not refer to Mr Nielsen by name and did not suggest that Mr Nielsen himself had made any claims that this machine could cure cancer. They can understand Mr Nielsen's objection to one medical expert's statement that "there is no evidence whatsoever that electromagnetic field therapy is therapy for anything". This was, however, the contributor's own opinion about magnetotherapy in general and the Commission find no unfairness to Mr Nielsen in that respect.

You can get a copy of the full adjudication by sending a stamped addressed envelope to: Broadcasting Complaints Commission, 7 The Sanctuary, London SW1P 3JS.

# Economists warn on spending cuts

tion that the government which the forecast estimates

also losing unspecified hut collected £2.89hn in excise

Cars return from France 'with

average of 80 bottles of wine'

and Robert Chots

Financing tax cuts in next month's national Budget hy cutting public spending threatans to worsen an already looming crisis in Britain's public services, leading economists warned

Mr Kenneth Clarke, the chancellor of the exchequer, is likely to cut income tax hy between £3hn (\$4.7bn) and £4bn in the Budget, according to Goldman Sachs, the US investment bank, and the Institute for Fiscal Studies,

annual hudgetary predictions, they say he will pay for this giveaway by cutting government spending plans hy £2.5hn and raising other taxes by £1hn.

Mr Gavyn Davies, Goldman Sachs economist and one of the chancellor's advisers, said spending cuts were already making it difficult to maintain the universal provision of poblic services. The report says it will be

November on the assump-

the independent think-tank. could stick to its tight spend- at hetween 1 and 3 per In the Green Budgel, their ing plans over the rest of the cent of national output. decade: "Hitting those plans ahout the levels of state health and education provision," the report says.

The report forecasts state borrowing this year of about £26bn, falling to £21.5bn next year. This is much worse than the £15hn the chancellor forecast last November. The urgency with which the chancellor has to cut borrowing depends crucially dangerous to cut taxes in on the amount of spare capacity in the economy.

The warning on public would mean tough choices finances coincided with news that Mr Eddie George, governor of the Bank of England (the UK's central hank), repeated his preference for higher interest rates st his regular meeting last month with Mr Clarke. The governor warned against a further rate cut, saying there

> Samuel Brittan, Page 16 Lex, Page 18

was already a "significant

risk" to the infletion target

of 2.5 per cent.

### NOTICES NOTICE TO BONDHOLDERS LEGAL & GENERAL GROUP PAR

L(20,000,006 6 % percent Convertible Sebordimated Bonds Due 2006 (the "Bonds")

LEGAL

(the "Bonds")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that, as a result of the re-organisation of the Company's abare capital, the Conversion Price of the Bonds has, pursuant to the provisions of the Trust Deed constituting the Bonds, been adjusted from 558p to 223p per share, with effect from 5pm on 9 October 1996. 10 October 1996 Legal & General Oroup Pic, Temple Count, 11 Queen Victoria Screet, London, EC4N 47P.

Melanie Miles on Tel: +44 0171 873 3308 Fax: +44 0171 873 3064

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# Nuclear exporting against the clock State reprocessing plant pinning hopes on increase in international business A steady "tick tock" decide whether it needs to was the work.

resonates through the halls of Thorp. the nuclear repracessing plant in north-west England which has been described as the world's nuclear dustbin. The regular beat reassures staff that all is secure at the plant, sited in the immense Sellafield cumplex where Britain's first unclear power station opened almost about Thorp's future come

from the outside world. British Nuclear Fuels, the state-owned company which hopes to ubtain a full operating licence for the £1.85bn (S2.85bn) Thorp plant in the next few months, will soon

full capacity. But any increase in radio-

Jonathan Guthrie

the environment.

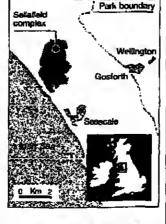
resonates through increase radioactive dis- its from the reprocessing of my's secrecy over financial charges to hring Thorp up to spent fuel for customers details: "How are we going such as Japan and Germany, to know Thorp is making a jobs". BNFL expects Thorp to profit?" The company countmake £500m in the first ers that providing detailed decade of its existence figures would weaken its between 1994 and 2008 - a negotiating position with level of profits which finan- customers and undermine its competitive position cial analysts regard as deriagainst its main rival, SOLY.

Cogema of France. Mr Martin Forwood, a Opposition from environlocal environmentalist, argues that it is not only the economic case for Thorp support for BNFL from the local community, where it is which is shaky. "When a the single higgest employer plant admits that it will be discharging hazardons among the population of radioactive materials to the environment, it has to prove Mr Robin Simpson, leader

He criticised the compa- step forward into the next century", and helieves it will "salvage quite a lot of Executives at BNFL.

which is one of the UK's biggest export earners, speak of the future for the company almost wholly in international terms. They point out that two-thirds of the investment for Thorp was provided by non-UK investors mentalists is countered by and that over its 20-year life up to two-thirds of its projected output will be secured hy non-UK contracts.

Similarly, the company is promoting itself - with some success - as an interlts main justification for the henefits will ontweigh in Copeland boroogh counnational nuclear waste manthe disadvantages," he said. cil, says: "Thorp is a major agement company. Earlier



this year, it secured a share of a comple of multi-hillion dollar contracts to clean up sites formerly used by the US military for atomic weapons production.

Leyla Boulton Simon Holberton

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### **TECHNOLOGY**

### Worth Watching · Vanessa Houlder



### Pictures beamed live to your seat

Airlines are investing in ever-more sophisticated techoology for in-flight eotertainment. After experimenting with everything from video on demand to electronic gambling, they are turning their attention to live television.

**Next summer Continental** Airlines, the US carrier, plans to offer live television programmes from DIRECTV, the US direct broadcast service.

The system uses technology originally developed by Harris Corporation for defence communications. It uses an antenna system that receives signals from three satellites simultaneously. A distribution system decodes each channel and delivers the signal to the

Harris Corporation: US, tel 407 7276514: fax 407 7297246.

### A mite of help for common allergies

The increasing incidence of asthma and eczema is often blamed on the prevalence of bouse-dust mites - whose droppings are a common allergen - in centrally heated homes. Getting rid of these mites tends to be a herculean task, requiring frequent vacnuming of mattresses. washing of curtains and even the replacement of carpets with wooden or vinyl floors,

An alternative approach bas been developed by Protec Health, which makes bedding nets impregnated with permethrin, an insecticide, to fit over mattresses.

Research by the London School of Hygiene and Tropical Medicine has shown that the nets can kill the mites that live in mattresses for up to two years.

Protec Health: UK: (0)1285

based on analogue closed-circuit television. But advantages because they preserve the fidelity of the they make it possible to automate tasks such as counting people and reading vehicle number plates. The snag is that the equipment, which is usually PC-based,

by developing a system that connects cameras direct to computer network without requiring a host PC. Its VideoBridge is a networked image processor that allows video from any camera connected to a network to be displayed on any PC or workstation.

## fax (0)131 440 5401.

A retired sound engineer bas designed a device that could improve the effectiveness of hearing aids in public places.

It uses the switch that is fitted in most hearing aids to improve the quality of sound transmitted over the telephone It disconnects the microphone and allows an induction loop in the hearing aid to link with an induction loop in the telephone in some haildings, but they do not work well when there are

Hearing Enhancement, a recently formed company that is raising funds through an offer for subscription, belleves that its "miniloop" overcomes these problems. It is an induction loop system that enhances sound quality in a small area, such as a reception desk or check-out area. The system, which can be fitted to

mpltiple sources of sound.

Hearing Enhancement: UK, tel (0)131 226 1529; fax. (0)131 467

850900; fax (0)1285 850552.

### A clearer picture of surveillance

Most surveillance equipment is digital systems have important original image, no matter how far it is transmitted. Moreover,

tends to be expensive. Indigo, an Edinhurgh-based company, has cut the costs of digital surveillance technology Indigo: UK, tel (0)131 440 5400;

### Hearing aids plug into a new loop

Induction loops are also fitted

furniture or carried around in a case, costs about £250.

Victoria Griffith looks at how new treatments for tuberculosis are being developed

# Switched-on defences

increasingly impotent against new, resistant strains of tuherculosis, pharmaceutical companies are scrambling to come up with novel treatments. In the US, Merck, and three small biotechnology companies -Pathogenesis, Apolloo and Cubist - are among those tackling the problem. In the UK another small company, Stanford Rook Holdings, is making progress with its

treatment While research efforts are in most cases at an early stage, public bealth officials and the medical world can be expected to follow developments closely. The resurgence of tuberculosis in New York in the early 1990s cost the city \$1bn, according to its health department, mostly in extended hospital stays for

By the 1970s the disease was considered all but conquered in the developed world. Even if infection occurred, it could be successfully treated with isoniazid, discovered in the 1950s.

The Aids epidemic changed that. With their weakened immune systems, Aids patients were easy targets for the tuberculosis hacteria. Those that received treatment often did not complete their antihiotics which lasts six months. That gave the disease an opportunity to mutate and new, drugresistant strains emerged. Worldwide, tuberculosis is expected to kill about 30m people this decade. Experimental treatments take

The European Union's

more closely on addressing social

Commission's main conclusion in

a consultation paper intended to

Framework Programme for R&D,

The paper puts forward three

priority topics within the geoeral

which will take over from the

programme at the end of 1998.

problems affecting people's

everyday lives. That is the

open debate on the Fifth

Ecul3.1bn (£10.6bn) fourth

research and development

spending should be focused

drugs a number of forms. One close to market is a version of the drug most commonly used before isoniazid hit the scene - refampin, or rifampicin as it is called in the UK. A new derivative, made by Pathogenesis from a chemical used to produce doll's hair, is engineered to be more potent than isoniazid.

Because treatment will be shorter, researchers hope patients' will be more willing to complete the course and the bacterium will have less opportunity to build defences.

the problem since many strains of TB are probably already resistant to it," says Kendall Stover, who runs the tuberculosis effort at Pathogenesis, "What's needed is a completely novel approach." One problem is that tuberculosis is notoriously difficult to work with in the laboratory. Most bacteria form colonies in a laboratory setting within hours: tuberculosis takes days. To speed up the research, Pathogenesis loaded the tuberculosis bacteria with a gene from fireflies to make infected cells glow, Scien-

had worked," says Stover. The firefly experiments led Pathogenesis to a key discovery about the way isoniazid works. It was already known that isoniazid is converted to a toxic substance hy an enzyme the bacteria produces: catalase, Scientists had theorised for years that the drug-

tists monitored the fluorescence

of animal organs to see if their

drugs were having any effect. "If

it stopped glowing, we knew it

resistant strains of the diseas had simply stopped producing catalase. However, they were puzzled about how the bacteria could survive without the substance, which forms a key defence against the oody's immune system.

The answer, it seems, is that the new drug-resistant strains put out another enzyme that takes over the function of catalase: alkyl hydroperoxidase. Pathogen's scientists believe that if they can use alkyl hydroperoxidase in the same way they used catalase, a new generation of But this product won't solve tuberculosis drugs will be born. Cubist's research will also tackle the enzyme functions of tuberculosis, although it is not yet clear

what the target will be. Another important development in tuberculosis research is the DNA vaccines championed by Merck and Apollon. Traditional tuberculosis vaccines are a modified form of the bacteria itself. DNA vaccines work differently. Tuberculosis produces proteins which the body comes to recognise as a signal to attack. The new vaccines would administer a single gene to patients to produce

"The drug educates the body's immune system to recognise cells bearing those proteins as foreign and offensive," says Margaret Liu at Merck. "So if infection occurs, the immune system is ready."

these same proteins ahead of time. The immune system, in theory, would then be briefed to eliminate the bacteria before infection occurred.

The sharp end: a little boy is vaccinated against TB in a 1942 clinic

makers, would be safer than today's attenuated or modified bacteria, which run a greater risk of becoming active in the body. "This is just one gene that produces one enzyme characteristic of the disease," says Vincent Zurawski, president of Apollon. 'lt's not nearly as dangerous."

In the UK, Stanford Rook is using bacteria rather than genes but its approach aims to treat the disease rather than seeking preventative measures as in a traditional vaccine. The widely used BCG vaccine uses a live microbacterial strain, but the UK company's SLR172 product is derived from a microbacterium that can stimulate the immune system when it is dead

In a nutshell, it works by switching the immune system to working in the right way to fight the organism. It is like ensuring you do not launch a cavalry attack when you are under threat The DNA vaccines, say their from submarines, says the com-

medium-sized enterprises -

giving them better access to

research through simplified

transfer mechanisms.

procedures and better technology

increasing the international

pany. Results from trials are due in February and the company hopes to be marketing the prod-

uct in 1998. Most of the tuberculosis research is expected to take several more years, at least, to bear fruit. Yet scientists and public bealth officials are watching developments closely, not just for progress in tuberculosis, but in other infectious diseases as well.

"The reason this work is so important is that if we manage to crack TB, it could have important implications for how we address drug-resistant strains of other diseases." says Zurawski. Antibiotic resistant forms of strep throat [a hacterial infection) and other diseases have sparked renewed interest in this area. It's a big new area."

Additional reporting by Andrew Baxter. An article on dealing with the side-effects of older TB treatments will be published soon.

### Focus on everyday issues theme of "research at the service to information and education. Promoting competitive and

of the people": Unlocking the resources of the living world - studying the fundamental mechanisms of hiology, for application to human health, food production and environmental protection. Creating a user-friendly

information society - creating

new technology for easier access

sustainable growth - developing design, production and manufacturing techniques. particularly in energy, transport and agriculture.

There are also three "horizontal activities" to take place across the whole of science and technology:

role of European research. The Commission will publish a formal proposal for the programme early next year, Enhancing buman potential – taking account of responses to improving the training and the discussion paper and mobility of scientists in submissions by national universities and industry governments. Involving more small and

Meanwhile the fourth programme continues to issue new calls for research proposals. The table below, updated every three months in the FT, is a guide for those interested in taking part.

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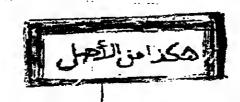
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RSDAY OCTOBER 10 14

being developer

( at )

# A new generation comes to the fore

With the transition to democracy now complete, Taiwan must now chart a new course for the future, writes Laura Tyson

hen Taiwan cele- is not much we can do," he brates its national says. brates its national day today, schoolchildren will, for the first time, no longer be required to march in parades carrying placards of the Chines republic's founding father, Dr Sun Yat-sen.

When Telwanese high school graduates take the gruelling three-dey college entrance examinations next summer, they will he the first graduating class not to be tested on Dr Sun's teachings along with the usual topics of maths, science, history and literature.

These are but a few of the indications that, et a time when Chinese nationalism is on the rise in China and Hong Kong, patriotism's historical appeal is fading in Taiwan, a country which capped a decade-long transition from military rule to democracy with the popular election of its president last March.

Perhaps still more telling is the ebsence of students joining in the many protests over the disputed Diaoyu islands since July.

In contrast, when the longsimmering sovereignty dispute flared up in the 1970s. Taiwanese students - including some who are now senior government officials - took to the streets in protest at Jepan's claim to the uninhabited rocks some 100 miles off Taiwan'e

north-east coast. With the transition to democracy essentially complete. Taiwan must now chart a new course for the future, to the extent this is possible given external constraints on shaping its own destiny. The divisive debate, over national identity which dominated public conscious ness for many years has all but evaporated since the presidential election.

Leading up to the elections, China's tactics of miliforge a domestic consensus around the notion that, whatever one's political beliefs, Taiwan is not in practice part of the People's Republic of China, and is in no hurry to become so. Interestingly, Quehec's debete over secession from Canada was, closely watched in Taiwan, and parallels with Taiwan's circumstances qui-

It is difficult to foresee what sort of social changes Taiwan will undergo in the next two decades. What is clear is that the younger generation, many of wbom heve returned from sojourns in the west, are not especially interested in the inflexible political ideology of their elders, be it nationalism of a Chinese or Taiwan-

> ese flavour. Having grown up in an eovironment with free access to information and far greater exposure to the outside world than their parents, they are more pregmatic and outward-looking in their views. They are proud of Taiwan's political and economic achievements and aspire to greater respect from the outside world and a hetter quality of life at

In the next year, the government must tackle pressng problems. It must strive to achieve a modus vivendi with mainland China, with whom relations have warmed only slightly since Taiwan's president, Mr Lee Teng-hui, made a private visit to the US in June 1995. It must also take on the systemic and cultural problems of government inefficiency and organised crime which are dragging down the economy, as well as carry out necessary educational, legal. judicial and constitutional

Since the watershed elections, there has been a fundamental shift in the policies of the government to reflect the realities of Taiwan's situelion and aspirations of its people, says Mr Su Chi. director-general of the cabinet's information office and

the government spokesman. Of course we want to make advances in reletions with foreign countries and with China, but the domestic arena is the only one over which we have control. If the international community does not want to recognise us, if Beijing does not want to co-operate with us. there

says. Hence, although foreign relations initiatives are still very much on the agenda, the emphasis has shifted.

"Our society is changing, people are expanding their horizons and opening up to new ideas, socially, artistically and otherwise," Mr Su says. "We realise that we now have a rare window of opportunity of nearly two years during which there will be no elections, when trate on domestic restructur-

This effort includes liberelising the economy, the financial markets and the education system: revising anachronistic laws; streamlining government operations and cutting down the hureaucracy; privatising state enterprises and ser vices; and increasing international trade, transport and communication links as well as joining international bodies such as the World Trade Organisation.

The government has also launched a crackdown on organised crime, which has flourished in tandem with Taiwan's rise to economic prosperity and political pluralism over the last decade.

"There is no escaping tha fact that the growth of organised crime and money politics has alreedy hed a serious effect on the maintenance of public order and the development of the democratic rule of law." Mr Liao Cheng-hau, the justice minister, told foreign businessmen

"One can also see quite clearly that spread of organised crime's influence has retarded economic growth and had negative effects on the construction of transport

costing the economy is also a priority. Growth was damp ened by tensions with China starting in the second half of 1995 and, although the stock market staged e substantial recovery following the presidential election, the economy has not. The best way to help metters is to speed up infrastructure spending, says Mr Chiang Ping-kun, chairman of the cahinet's council for economic planning and development.

"Fewer than half of tenders have been opened on schedule due to irregularities in the bidding process affecting over \$4bn in projects," he says, adding that he helieves the economic slowdown has hit bottom. The structure of the econ-

omy is changing quickly as it matures, from one based on manufecturing to one based on services, and from one centred on low-end consumer products to one reliant on high-technology.

To serve the emerging economic model, Taiwan's services sector must quickly upgrade to meet the demands of an ever more sophisticated market.
Relations with Beijing,

which regards Taiwan as a renegade Chinese province, heve shown little progress since March, when China test-fired missiles and held military exercises near the island in a hid to influence the outcome of the polls.

"We have always kept the door open to talks, but it takes two to tango," says Mr Lin Chong-pin, vice chairman of the cabinet's mainland affairs committee, referring to the quasi-official dialogue across the Taiwan strait cut off by Beijing in June 1995. "We don't think Beijing's insistence on setting pre-conditions is conducive to improving relations."

There is an uneasy ambivalence regarding economic ties, which offer opportunities as well as dangers. The government has tried to slow the tide of large-scale investments across the strait for fear of becoming overly dependent on China, edvising entrepreneurs that "if their home base is not secure then whatever respect they may have received from Beijing will diminish also," says Mr Lin. Meanwhile the drive for international recognition continues, if it is at a somewhat lower profile. "We are a new-born democracy. We deserve better treatment in

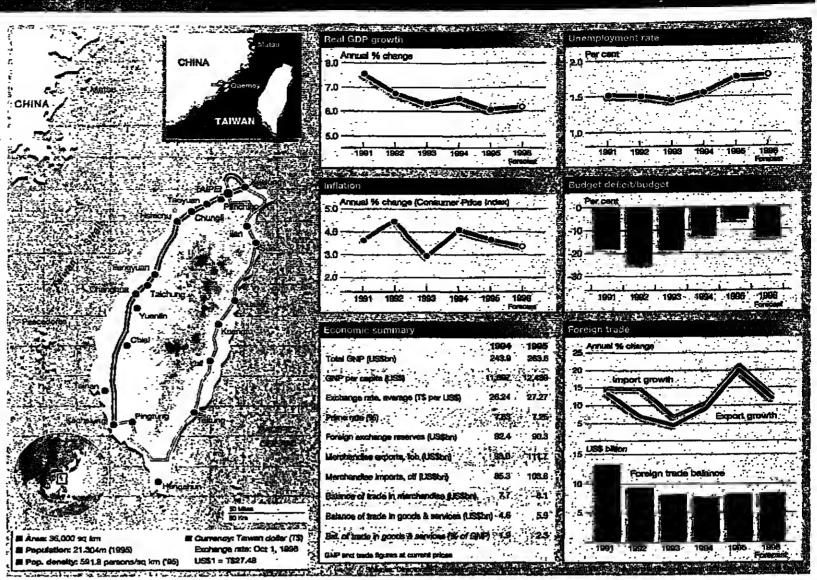
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nity," says Mr John Chang, the foreign minister.

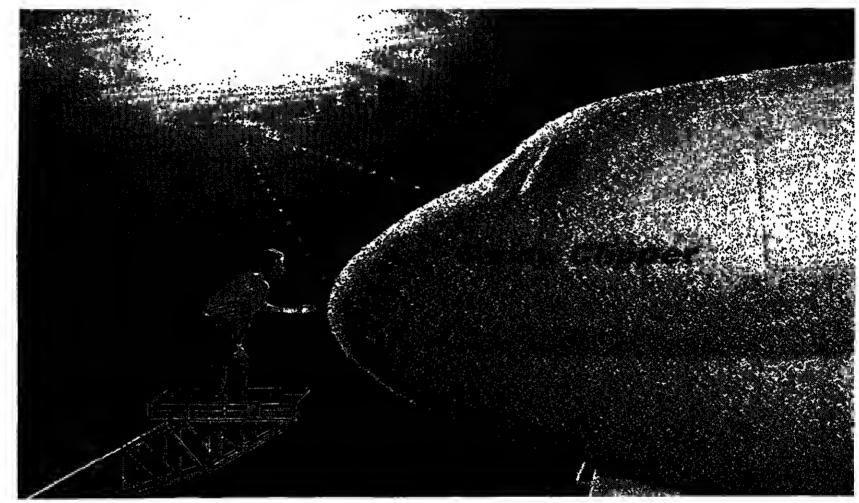
"Most of the world has been misled that there is only one China and that China is the PRC. But Beijing and the entire world must accept the reality that China was divided in 1949 so 'one China' does not exist; it is an ideal. In the past tense and in the future tense, hut not in the present tense."

He vowed to continue the overseas trips which have so irritated China, and advised Beijing to "get used" to such excursions. Taiwan has come a long way since the days of Dr Sun Yet-sen.

Where it goes from now rests not entirely in its own hands, but judging from the current wave of confidence and optimism, the future should be positive.



### Through Taiwan Innovalue<sup>SM</sup> Tom Anthony finally faced his fear of foreign travel.



Composer Tom Anthony hates making trips. He is a diabetic. On planes, in restaurants or hotels he never knows how much sugar his food may contain.

Recently in Taiwan he found the perfect safeguard, the Sensorex Blood Glucose Monitor. Using ampermetric measurements, Sensorex from Metertechcan analyze a pin-prick of Tom's blood in 30 seconds, storing data up to 180 times.

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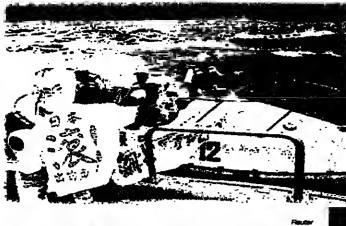
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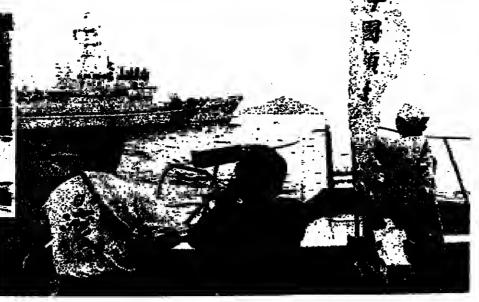
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Japanese coastguard patrols intervened last month to stop Taiwanese and Hong Kong activists from landing on uninhabited islands 100 miles off Taiwan's north-east Claimed as the Senkakus by Japan and the Diaoyus by China, they are another source of regional tension.



Foreign policy: by John Ridding

# Trying economic initiatives

The straits crisis with Beijing may have passed but deep-seated obstacles remain

Since China lobbed missiles towards Taiwan this spring. aiming to sway the island's March presidential poll, the cross-straits crisis has been defused. China's military muscle has given way to economic initiatives, and invective has been replaced by a softer stance. "The easing in tension is very clear," says Mr John Chang, Taiwan's foreign minister.

PRC geoerals no longer talk of "pulverising the imperialist forces and independence advocates," according to Mr Lin Chong-pin, vice chairman of the mainland affairs council, the ministry in charge of relations with Beijing. "Most of their rhetoric since March emphasises the importance of a stable environment and economic development."

But officials in Taipei are "Unfortunately, dialogue has not been restored," says Mr Chang. "I believe the hall is in their court. They claim it is in ours. So we can't find the ball." For Mr Lin, China's new stance reflects a change in tactics, not the

on Taiwan's status continue to obstruct talks. For Taiwan, Beijing's new stance brings new concerns.

In presenting economic initiatives, such as August's announcement of rules for direct shipping links, Beijing Taiwan's husiness community. The tactic has been employed with success in Hong Kong ahead of next July's transfer of sovereignty and threatens to drive a wedge betwaen husiness and government in Taiwan.

Economic cards are the strongest Taipei has to play in dealings with Beijing. And while it seeks progress on business issues it is not prepared to sacrifice them until advances are secured on intractable obstacles to improved relations, such as a renunciation of the use of force and a dispute over Beijing's "one China" definition which hrands Taiwan as a renegade province.

"This is absurd," replies Mr Chang, "The PRC has never exercised a single day of jurisdiction over Taiwan. not about to celebrate, it has not collected a single penny of tax." For Taipel. the reality is that China is divided, with separate governments and political systems. Hence Taiwan's guarded response to Beijing's husiness initiatives. China's rules for direct shipof pressure. ping met with a lukewarm Deep-seated disagreements response, while President

Attitudes on reunification/independe

investors to reassess their

Behind such advice lies a dilemma. "In the long run, involvement in China will cause serious dependence." says Mr I-Jen Chiou, secre-tary general of the opposition Democratic Progressive Party. "But in the short run, we benefit from the Chinese market and this is a hig reason why we can maintain a growth rate of more than 5 per cent," he adds.

The decision by Formosa Plastics and President Foods to suspend mainland projects suggests support for the official line. "Big hustness is led by people who are Mr Lin. "They know the risks they take and that the risks will remain as long as Beijing's hostility to Taiwan

But the lure of the mainland market is hard to resist. Taiwan's deregulating economy and democratic credentials mean the government cannot block investments on the mainland. The moves hy Formosa and President may prove temporary, while other big industrial groups, such as Far Eastern, are unswayed. With more than 30,000 projects and \$30hn of Taiwanese investment in China, the husiness horse

may already have bolted. In the latest bout of manoeuvring with the mainland, however. Taipei's position is

The big three

banks' operations

provincial politics

tion programme is the slow

pace at which state domina-

tion of the banking system is

Taiwan's state banks have

long been scheduled for pri-

vatisation, but the pro-

gramme has met with set-

backs, says Mr Sean Chen, director of the hureau of

monetary affairs at the min-

Most of those banks under

the control of the central

government are in varying

stages of being publicly listed on the Taiwan stock

exchange and gradually sell-

ing down government hold-

ings. Two of these, Farmers Bank and Chiao Tung Bank.

the state development bank,

will be legally privatised within the next year, says

are shackled by

commercial

being dismantled.

**Bank privatisation:** by Laura Tyson

Lee Teng-hui has advised big buttressed by several factors. President Lee's sweeping election victory has been followed by a splintering in opposition political forces and an apparent rise in support for the government's stance of reunification when conditions are ripe. "The majority point of view within our party is close to

President Lee's," says Mr Chiou of the DPP. As a result, Mr Peng Ming-min, its presidential candidate has had to set up a new organisation, the Nation-Building Union, to continue his push for independence. At the same time, Beijing's hid to secure a smooth hand-

over of Hong Kong increases with Taiwan. Mr Li Peng, the Chinese premier, refers to the resumption of sover-eignty over Hong Kong as a vital step in the march to reunification, with Macau and Talwan next on the list. Like the rest of the Chinese leadership he is aware that any stumbles will obstruct ultimate goal of returning Taiwan to the fold.

Mr Chang rejects a parallel with Hong Kong, stressing Taiwan's political development, its armed forces and Hong Kong's colonial status. They have been a colony for more than one hundred years, so they have no power to determine their own future." says one senior offi-

But Hong Kong's return to strait.

The pace of change

needs to quicken

Chinese sovereignty may yet aid cross-straits ties. With Hong Kong watching Beijing's actions towards Taiwan, and vice-versa, China faces increased pressure to steer clear of hostile or heavy-handed actions and to avoid throwing spanners into the Hong Kong econo-

While the dispute over the Diaoyu/Senkaku islands has prompted a bout of Chinese nationalism against Japan, It has also caused diplomatic strains between Beijing and Taipei, both claiming sovereignty over the territory. Nor is there any imminent

prospect of the resumption of talks, which were suspended by China in mid-1995 after President Lee's have dismissed each others' latest invitations. Beijing awaits concessions on the three direct links - post, sea, and air. Taiwan, demanding Beijing drops its preconditions, says it is happy to play the loog game. Meanwhile, the government has shifted priority to domestic

Despite all the caveats, however, the long game has entered a more stable phase The arena has shifted to the economic sphere, a long way from the military theatre which shook the region in the spring. And despite Talpei's reservations, a smooth return of Hong Kong might at least prevent a widening rift across the Taiwan

my - such as disrupting entrepot trade. For both Beijing and Taipel, the need to resolve technical issues relating to existing arrangements, he

they shipping or investment, may prompt progress in hroader ties. Such positive forces will not end spats across the Taiwan straits. Taipei's continued lohbying for membership of the UN and its "pragmatic diplomacy" in search

of international recognition will ruffle Beijing's feathers. A serious hattle is looming for the allegiance of South Africa, long Taiwan's higgest diplomatic prize, although Taipel claims that the situa-tion has "stabilised" since the recent visit of Pretoria's foreign minister.

economic and social reforms.

■ Organised crime: by Laura Tyson

# Effecting an entry into democracy

The gangs are so entrenched that there are limits on how far they can be pursued

Taiwan's underworld has flourished amid the island's rising prosperity and transformation to democracy over the last decade, reaping ill-gotten gains and even capturing seats in the country's legislative bodies in

"In recent years, rapid economic growth has encouraged criminal gangs to improve their organisation and enter the commercial arena," Mr Liao Cheng-hau. Taiwan's justice minister, recently told foreign husinessmen. "There are even cases of gang members operating in collusion with local political factions. using violence to influence election results, and even standing for election as legislators.

But now the gangs are dragging down Taiwan's economic growth, officials say. The government infrastructure hidding process has been seriously delayed because of gangster participation," Mr Chiang Pinkung, chairman of the cabinet-level council for economic planning and develop-ment, says, "We hope as soon as the clean-up action hrings results we can speed up infrastructure development and this will have a good effect on the economy.

The government launched a nation-wide crackdown on 'black societies", also known as triads, last month, apprehending dozens of gangsters. According to opinion surveys, the crackdown has nearly unanimous support from a public fed up with a daily diet of triad-inspired corruption and violence in the country's lively media. At the same time, the jus-

tice ministry is trying to push through legislation to tighten up gaps in the legal system and help in the prosecution of gang-related cases. These include an organised crime prevention hill, which defines a criminal organisation; a money-laundering hill; revisions to laws concerning the arrest of "hooligans"; and a law to land hackgrounds from standing for election.

The attack on organised crime was launched to allay concerns among foreign investors, who are participating in many large-scale public infrastructure projects targeted by gangsters, as well as to improve public security. says Mr Su Chi, director-general of the cahinet's government informa-

tion office. "We want to domestic investment as well as encourage foreign investment," he says.

In Jnne. the National Police Administration identified 126 large gangs with combined membership of 5,800 across the island. The largest and most influential gangs are the Bamboo Union Gang, the Four Seas Gang and the Heavenly Path Alli-

Increasingly, Taiwan's triads are involved in the lucrative practice of rigging bids on government infrastructure projects, operating underground hanks, prostitution, gamhling, smuggling and other illegal businesses rather than the protection rackets and extortion that were formerly their main source of income, says Mr Lizo, the justice minister.

In some cases, they have taken control of the hoards of companies listed on the stock exchange and harassed others through extortion. He said that some gang-

sters have successfully sought elected office in order to "camouflage" themselves and gain a foothold in politics, allowing them to use legal means to protect their illegal activities, or exploit their status as politicians to "supervise" all levels of government through budget

Of the 800-odd city and county council members nation-wide, some 300 have gangland hackgrounds, he says. Many of these are memhers of the ruling Nationalist party. Some gangs have registered themselves as political parties. Several members of the

legislative Yuan, Talwan's national legislature, have been accused of having links with large triads. One, Mr Lo Fu-chu, an independent lawmaker, last month publicly admitted he was the "spiritual leader" of the Heavenly Path Alliance, but denied he was the gang's day-to-day

Organised crime is not new to Taiwan. The Nationalist Chinese government had links with Shanghai triads before the 1949 communist victory in China's civil war. After fleeing to Taiwan,

the Nationalists to an extent improve the climate for tolerated and occasionally, co-operated with gangsters. In the early 1980s, the Bamboo Union Gang was implicated in the assassination of exiled journalist Henry Liu. who wrote an unflattering biography of former Taiwanese president Mr Chiang Ching-kno.

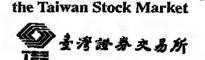
But following the lifting of military rule in 1967 and the subsequent transition to democracy, the gangs appear to have grown stronger. Although their reach does not appear to extend as far at that of the Italian mafia. top officials of Nationalist party-run businesses and the party's legislative whip were implicated in a hid-rigging scandal several months ago.

Taiwan's relatively low crime rates would be the envy of many industrialised countries, but the government has stepped up security for prosecutors and judges pursuing triad-related cases. The rise of organised crime in Taiwan has international repercussions in Chinese communities elsewhere, especially China. where triads are believed to be making a resurgence. It is thought that just as Japanese companies sometimes team up with Taiwanese companies to enter the Chinese market, Japanese gangs, or ynkuza, are working with Taiwanese gangs to go into China. Due to Japan's fifty-year colonia rule, Taiwan has a certain cultural affinity for hoth China and Japan, and thus is suited to the role of mid

What is unclear is how far the crackdown will go, espe cially as many gangsters tar getted have fled overseas mostly to Macau, Hong Kong and the US. "The crackdowr ls progressing very nicely The Four Seas Gang is collapsing, the Bamboo Unior Cang is also under threat and other gangs are in disar ray," says Mr Su.

But not everyone is so optimistic. "The government is very serious about this crackdown, hut I doubt it will extend beyond the lower ievels," says Mr Chiou i-jen secretary-general of the lead ing opposition, the Democratic Progressive Party.

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Anido hotels memators

But the planned privatisation of Taiwan's three leading commercial banks - First Commercial, Hua Nan and Chang Hwa their budgets and operations - which hold a commanding presence in the market in are subject to the scrutiny

has been stalled for years by So opposed was the provin-

cial assembly to the central government's privatisation scheme that a number of years ago, it passed a law blocking the "big three" The fly in the ointment of Taiwan's financial liberalisa-

from being privatised.

Controlled by Taiwan's provincial government. which is largely independent from the central government, the trio are suffering from slowing growth and lower profits, partly because they are sbackled by government regulations private banks are not subject to.

Because the banks are state-owned, employees are civil servants and those ranking above clerical levels must pass civil service examinations to be hired or pro-moted. Senior management are government appointees who do not necessarily have expertise in banking and

finance.
Officials tend to be highly averse to taking risks because a loan turned sour can severely damage the careers of those with respon-

to modernise operations and

boost competitiveness is that

sibility for the loan. But what makes it espe-cially difficult for the banks

ciai assembly. Unscrupulous memhers of the assembly often use this leverage over bank management to their personal benefit. Under Taiwan law, an

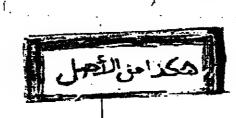
enterprise is legally "pri-vate" if combined state holdings fall below 50 per cent, at which point its hudgets and operations are no longer sub-ject to legislative scrutiny. Unable to override directly

the provincial assembly's

block on privatisation of the banks, the finance ministry plans to leap-frog the assemhly by passing a new law in the national legislature. The draft law, to be introduced in the legislature shortly, will, if passed, make

all state banks subject only to banking laws and company laws, similar to the French state banks, says Mr Chen of the bureau of monetary affairs. According to Mr Chen Mu-tsai, deputy finance minis-

ter, this will allow the state banks to become commer cially-oriented and enable them to compete in domestic and international markets The process of drafting the law has been "very complicated" and time-consuming says Mr Chen, involving the approval of several government watchdog agencies and even requiring revisions to terms of loans and deposits, and approval of the provin- the country's constitution.





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■ Trades by John Ridding

# Powerfully driven by investment

Patterns have undergone upheavals with the region now the main target

Beneath the volatile swings of short-term trade, Taiwan's ring to the trade disputes commercial ties have been undergoing a more funda-mental transformation.

Our trade has become much more diversified in terms of destination and in terms of production," says Mr Chiang Pin-kung, chairman of the ministerial-level council for economic planning and development

(CEPD). The shift is clear from the figures. In 1984, the US accounted for almost half of Taiwan'a total exports. Now it represents about 23 per cent, roughly the same as the share of shipments going to China and Hong Kong, the

conduit for mainland trade. The developing economies of south east Asia account for an ever-growing slice of the island's commerce. Since 1985, the share of Taiwanese shipments going to Asean has more than doubled, reaching 12.4 per cent last

Such upheaval is largely explained by the restructuring of the Taiwanese economy. As with other maturing Asian tigers, the rising cost of land and labour has prompted manufacturing industries to seek low-cost production centres in the

This, in turn, has fuelled the export of capital equip-ment to supply Taiwanese firms. "It is a clear case of investment-driven trade," .. says Mr Chu Chia-I, director of industrial development and investment at the ministry of economic affairs.

The result is that Taiwan has established itself as one of the three biggest foreign investors in China and in most Asean nations. Total nvestment in these markets exceeds \$36hn, with the tion's share accounted for by some 30,000 projects on the there has been a significant push into European and US narkets as Taiwanese manuacturers seek to establish

production centres near heir customers. Although capital outflow nas slowed since the peak

ments have bequeathed a more balanced trading base. "This is a positive development, we are now mors diversified and we don't get too much pressure from the US these days," aays Mr Chiang at the CEPD, referwhich dogged bilateral relations in the 1980s, when Taiwan was racking up surpluses of more than \$15bn

with its partner. Diversification has also reduced volatility. "We are no longer so dependent on a single market," says Mr Chou Ji, director at the Chung-hwa institute for eco-

nomic research. But Taiwan'e trading transformation has brought fresh concerns. The importance of the mainland market means that the island's fortunes are increasingly determined by cross-straits political relations. Raised tensions in the first half of this year, as China sought to sway Taiwanese voters in the presidential election, had a strong impact on trade. Exports inched ahead by little more than one per cent

during the period, while imports fell by 8 per cent. And while geographical markets have diversified, Taiwan remains dependent on a few significant sectors. notably electronics. With international demand waning and with Taiwanese trade still ultimately determined by conditions in the developed markets of the US and Europe, the result has heen a slowing in total

First half shipments grew by about six per cent, compared with more than 20 per cent for 1995. But with imports also sluggish, and



Taipet the capital's tallest building

gradual signs of export recovery, private economists predict that Taiwan will still

\$10bn this year. This surplus is no looger the sensitive trade issue it was in the past, largely because it is much less than the peak of \$19bn in 1987 and because it is now spread more evenly with economic partners. But there are still areas of friction which need to be resolved before Taiwan can join the ranks of the World Trada Organisation.

How the market has moved Talwan SE weighted index 6.500 5500 4,500 4,000

Automobiles, agriculture, wine and tobacco are some of the markets where WTO post a trade surplus of about members are seeking further liberalisation or deregulation. Mr Chiang at the

CEPD says that progress is being made, although complex Issues remain to be resolved in areas such as the reform of the state beer and wine monopoly. In financial services, Mr Chen Mu-Tsai, vice minister at the ministry of finance, says that most of tbe issnes bave been resolved. "Thera are only teeny things left," he says.

As to timing, Taiwan rejects the claim that it must wait for China, "We are saying that the issue is not related," says Mr Chiang, 'We have to conclude bilateral accession talks as soon as possible."

But China does not see It that way, and diplomats play beating Beijing through the WTO doors, despite the glacial progress ln China's membership bid. As with trade and investment flows, it appears an issue where Taipei's fortunes will be determined by movements on the mainland.

### Nuclear power debate: by Laura Tyson

1 broad national lebate involving ılmost all nterested parties

as blown up 'alwan's planned fourth uclear power plant faces ubstantial hurdles which just be cleared if it is ever be built. Some of those Si bstacles could prove insurcountable, ultimately doomig the controversial esti-

ated \$5bn facility. Plagued by environmental rotests, failed bidding and incellation of the project's udget, the 2,600MW plant as been on the drawing pards since 1980 and if all es smoothly - a very big if will come on line in 2010. The most immediate task ting the government is to store the plant's budget, iminated by opposition uties in the national legisture in May of this year. nis promises to be a tough tht as the ruling Nationalt party maintains a razor-

the legislature. The vote came just hours fore Taiwan Power (Taiwer), the state electricity onopoly, awarded a \$1.8bn ntract to General Electric tha US to provide the sign for the nuclear reacr, related equipment and

iclear fuel. Undaunted, Taipowsr netheless vowed to push ead with the plant and in e September directed GE start work despite the k of budget approval.

in majority of just one seat

The award was the outme of a difficult battle th US contractor Westinguse, in partnership with e UK's Nuclear Electric. d the US unit Comhustion igineering of the Swedishrise engineering group 3B. France's Framatome d dropped out of the hidig earlier. Altogether the

four concerns are estimated to have spent over \$100m combined over the years pre-

paring their hlds. Nuclear power was first introduced in Taiwan in 1977, and by 1995 the island's three plants generated a 23 per cent share of total installed capacity of 21,900MW, down from 32 per

cent a decade earlier. Since Taiwan began a transition to democracy in the late 1980s, environmental movements have gained strength. Construction of facilities such as manufacturing plants, rubbish inclnerators and power plants has become extremely difficult due to the opposition of residents who do not want such a facility in their community. "The difference with nuclear power is that it has become a national dispute, not just a local dispute." says Mr Richard Hsu, vice

president of Taipower. Local residents are equally opposed to facilities such as sub-stations and transmission lines. Years of negotiations and usually some form of compensation are generally needed to overcome resi-

dents' objections. Mr Yi Hung-ting, sacretary-general of the cabinet's national energy commission, concedes that the government needs to improvs communication with residents. "The main reason they protest is because they don't fully understand the projects," he

Proponents of Taiwan's nuclear programme such as Mr Hsu from Taipower say the country needs to expand its power supply. urgently need additional capacity. Existing facilities are over-ntilised. We must also invest to improve the quality of electricity supply," he says.

Mr Yi from the national

energy commission says the

stressed diversification of energy sources and forms, and the fourth nuclear plant was an important part of the government's energy devel-

opment strategy. Electricity consumption has risen at an average of 6.4 per cent a year for the last two decades, and the government expects demand to rise at an average annual rate of 4.5 per cent from 1995 to

The margin of reserve electricity was just 4.7 per cent in 1995. This is forecast to rise to 5.4 per cent this year, but this is still far below the ideal level of 20 per cent in an isolated system such as Taiwan's, officials say.

The government, Taipower and some industry experts believe adding a fourth nuclear plant is the best alternative for small and densely-populated Taiwan. It uses less land than a series of smaller non-nuclear plants; it is "cleaner" than a coal- or oil-fired plant in that it does not pollute the air or produce waste gases or dust; and, although it does produce waste materials, these

can be safely stored. It has a much larger generation capacity than other types of plants. And based on the experience of other countries such as Japan and France which rely on nuclear power, the safety concerns for properly managed facilities are minimal. But other experts question

the need for the plant, saying that other less controversial and potentially dangerous solutions can be found. They point out that the new programme of independent power producers (IPPs) is supposed to bring on line new capacity of 10,300MW by

2002. "The question is: if we

have this much private sup-

ply, do we need a nuclear

power plant coming on line

government's energy policy less than ten years later?" says Mr George Hsu, an energy specialist at the Chung-hua Institution for Economic Research.

The fourth nuclear plant was set back by one year in 1995 when the project bidding failed because all the bids submitted to Taipower for the job of general contractor were double or triple Taipower's ceiling price. The price ceiling, believed to be about \$2bn, had been set in the late 1980s and eince then costs had risen significantly. and bidders were unwilling to accept full liability at that

The project was then restructured from a turnkey model to smaller contracts with Taipower itself acting as the general contractor and put out to retender. This resulted in GE winning the hid at what some industry observers viewed as a sur-

prisingly low price. The hudget for the plant had been frozen for many years until 1994, when the Nationalists managed to ram the package through the legislature against violent oppo-

For Taipower, which is charged with the responsibility of supplying the island's residents with electricity, huilding a large "baseload" facility such as the fourth nuclear plant is important for practical reasons. But some advisers to the IPP plants suggest that there may be political consider-

ations as well. Many people have heen working in the nuclear field sincs the inception of the government's nuclear programme in the late 1960s. If the fourth nuclear plant is cancelled, then most of those people will be out of a joh. One industry source estimated there were between 2,000 and 3,000 people in the nuclear field working in **Economy:** by John Ridding

# Tiger seeks to roar again

Structural challenges must be removed for private sector to regain its drive

Outside east Asia, Taiwan's growth rate would be trumpeted with pride. In the lair of the tiger economies, howaver, forecast expansion of just under 6 per cent this year has prompted a bout of

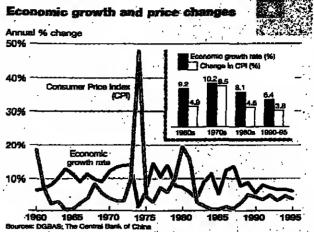
soul-searching. Precedent, reforms, and emerging signs of an upturn suggest the gloomsters will be confounded. But policy makers and business leaders are faced with significant structural challenges as weli as adverse cyclical trends if they are to rekindle

Taiwan's fire. Both challenges are evident in the economy's recent lacklustre performance and in a series of downward revislons to growth forecasts. The latest official estimate, issued in August, predicts a rise in GDP of 5.89 per cent this year, a far cry from the double digit rates of recent memory and slightly below the performance in 1995. Even this target requires a rehound in consumer spending and investment.

Some slowing is natural as the economy matures, and like the rest of the region. Talwan has been hit by a downturn in electronics exports resulting from faltering international demand. Other core industries, such as petrochemicals, have struggled in the face of waning cyclical demand, while government spending has heen curbed by a budget deflcit and delays in infrastruc-

ture projects. There have been accidental factors. Mainland missile tests and a belligerent Chinese stance in the run up to Taiwan's March presidential elections knocked the confidence of consumers and investors. Exports, the stock market and the property market all suffered.

That crisis has now passed. Consumption and government spending are set to strengthen, according to economists. Exports are also expected to revive, despite structura we just did it,"



the strengthening of the Taiwan dollar since it was steered sharply lower in May. With recovering demand in China and an easing in the central bank's monetary stance many see the clouds lifting. "The economy has bottomed," says Mr Daniel Chen, chief economist at Chinatrust Commercial Bank. "I am more optimistic about 1997," he adds, predicting growth of more than 6 per cent. But for Mr Chen, as for most in business and government, it is structural problems in the economy, rather than short-term

growth estimates, that pose the thornier questions. Rising land and labour costs have pushed low valued added manufacturing overseas, a familiar pattern in east Asian economies. But bars to investment, underdeveloped Infrastructure and the weakness of its service sector obstruct Taiwan's adjustment to a higher cost economy,

"Services now account for more than 60 per cent of output," says Mr Chen, describing what ha sees as a natural shift in a maturing economy. "But our services, in banking, insurance and telecoms, are less strong than in Hong Kong and Singapore. They are also very domesticallyoriented." Public spending has been delayed by political wrangling, environmental concerns and corruption. "In the past we had a very efficient decision-making process. When wa needed infra-

says one businessman, "Nov it is impossible," he says, citing the example of a fourth nuclear power plant, blocked for years by environmental

protests. In the private eector. investment in cement plants in the north east of the country has been halted by environmental protests, as has a petrochemicals complex in the south. Industrialists bemoan the red tape which binds their plans.

government's The response is under way. Mr Chiang Pin-kung, chairman of the council for economic planning and development, cites initiatives to ease investment constraints and improve infrastructure. The aim, he says, is to stimulate domestic business and develop Taiwan as a regional business hub - or an Asia Pacific Regional Operations Centre (APROC), as it is known in the official plan.

Specific measures include legislative reforms to ease restrictions on land purchases and reduce costs. investment in training and deregulation of financial and service industries. Licences for new telecoms operators are due to be issued by the end of the

elgn stock market investments have been raised. Red tape is being reduced and the public sector is being reined in, with the headcount being cut hy 5 per cent over the past few years.

A crackdown on organised

crime has been launched.

year, while ceilings on for-

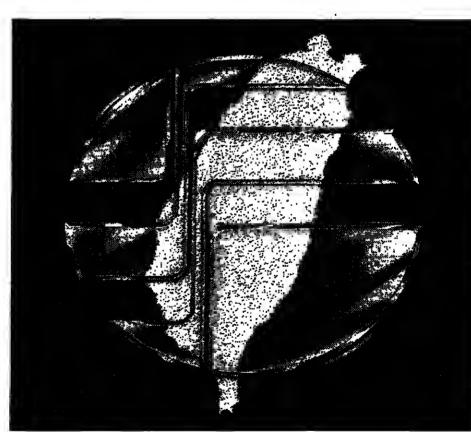
Business leaders raise some misgivings over the pace of reform, but welcome the government'e moves. "APROC is a good and very important ldea," says Mr Chiao Yu-lon, chairman of Walsin Lihwa, the cables to semiconductors conglomerate. "Once the way is cleared for the private sector then Taiwan moves very fast."

Bshind this view lies a confidence in the continued dynamism and entrepreneurial spirit of corporate Taiwan. And there is much to support such faith. Hightech companies are emerging to maintain the momen-tum of industrial development and to keep Taiwan strong in new markets. One example is Mustek, one of the world's largest producers of scanners for computers. which expects to see sales double to T\$5bn this year.

"We are still a very flexible economy," says Mr Chen at Chinatrust. "So despite all of the obstacles. I am optimistic." He cites strong fundamentals, including inflation of little more than 3 per cent and a trade surplus predicted to exceed \$10bn this

Not all, however, is in Taiwan's hands. The experiences of the past six months have served as a reminder that the fortunes of local business are determined, in part at least, by the vagaries of cross-straits diplomacy. The missile tests of March have now given way to a complex game of economic manoeuvring in which President Lee Teng-hui has urged a re-think of mainland investment projects. The move underlines the uncertainties facing Taiwanese industry in investing on the mainland, its natural lowcost hinterland.

However, It points to the limits in Taiwan's vision of hecoming a regional operations centre or to rival Hong Kong as a gateway to China. "It is hard to be a gateway when you aren't speaking to the other side. says one prominent businessman. "We have achieved a lot without the mainland. and despite tense relations. So there is a lot of upsida if there is any improvement."



### THE LEADING EDGE IN TAIWAN

- · First foreign company to be granted a Securities Investment Consultants Licence
- The managing shareholder of JF Taiwan Securities, a member of Taiwan Stock Exchange
  - · First foreign institution allowed to invest directly in Taiwanese equines Full research and investment advisory divisions
  - No.1 Taiwan market share of foreign invested unit trusts A leading underwriter of Taiwanese Euro-issues
  - The sole foreign-managed company holding a domestic fund management licence No.1 Best Taiwan Execution, Global Investor | Euromoney 1996
    - Best foreign securines house in Taiwan, Euromoney 1995 No.1 Taiwan specialist research, Asiamoney 1994

Best foreign bank in Taiwan, Euromoney 1994



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# Through rough terrain

The goals are dynamism, management efficiency and mainland fever

As a keen hiker, Mr Chiao Yu-lon is used to rough terrain. So plunging profits and a lacklustre local economy have failed to ruffle the chairman of Walsin Libwa Corporation, the cable-to-semiconductor concern that is one of Taiwan's largest industrial

"Taiwan still has a very vibrant busine community, so I am optimistic about the economic situation," he says. As for Walsin Lihwa: "This is the low point, we have come to a major crossroads and all our business areas have potential for strong growth."

Such claims come in the middle of a period of transition for both the national economy and for Walsin Lihwa, after years of rapid growth. The family-controlled conglomerate saw pre-tax profits fall by 65 per cent to T\$434m in the first half of the year, as earnings were hit by the downturn in the semiconductor cycle. The group's new specialty steel business sustained heavy osses. But Mr Chiao believes the company strategy is sound, and set to prosper. Taiwan itself is emerging from economic and political upheaval.

Like several other leading Taiwanese industrial groups, Walsin's strategy has two prongs - the development of higher value added, high-tech operations at home, and international expansion in traditional core industries.

In Walsin's case, this has meant substantial investment in China in wires and cables, the core company business since the group was founded in 1966 by Mr Chiao's father. With eight plants on the

Record Foreign Net Buying Pace

Foreign net buying of Taiwan equities is on a

record pace to reach US\$3.6 billion over the

next 12 months following Taiwan's inclusion in

Morgan Stanley emerging and regional market

indexes from September 2, at 50% market

capitalisation. Foreign net buying of Taiwan

equities in June, July, August and September

Recovering Domestic & External

Consumer spending is forecast to grow 7.2% in

1997, up from 5.7% in 1996. Private investment will jump 12.5% in 1997, up from

6.7% in 1996. China's monetary easing and

continued strong US growth will support

Taiwan external demand. Exports are forecast

to grow 10.9% in 1997, from the year earlier.

Room for More Monetary Easing

Taiwan's central bank will maintain a low

interest rate policy to boost M2 money supply

to the desired range of 9%-14% annual growth.

Having the second lowest consumer price

inflation in Asia ex-Japan and an appreciating

currency, Taiwan can afford to loosen monetary

The Taiwan equity market will be fully-opened

to foreign investment by the year 2000 which

will increase Taiwan's weightings in global and

regional market indexes. Turnover restrictions

1995 equaled US\$1.3 billion.

Imports will grow 13.9%.

policy in the fourth quarter.

Ongoing Liberalisation

Demand

**29**8 ر 16.91 8.90 12.30 Return on assets (%) mues (T\$bn)

mainland, and a total investment of \$80m, Walsin has an extensive and profitable China operation. Infrastructure is at the top of Beijing's policy priorities.

This push is set to continue, despite signals from the government in Taipei that it wants a cooling in mainland fever and the suspension of projects by some of the island's biggest groups. "We will stick with our plans," says Mr Chiao, although he says Walsin does not require much additional investment.

At home, Walsin sees continued growth in the cable market, mainly as a result of a shift to higher value added and higher voltage networks. In a move to strengthen its presence in growth industries, the group is taking a 30 per cent stake in a joint venture bldding for one of Taiwan's new mobile telecoms licences. Total investment in the project, should a licence be awarded, is

estimated at about TS6bn. The telecoms project is the latest step in a

diversification strategy which has seen a lucrative shift into semiconductors. But it has also brought problems - notably the losses at its Walsin Cartech

steel operation, estimated

by analysts at TS:80m in

the first half. Mr Chiao says that remedial measures are under way, and that a solution will be revealed within the coming months. But this does not mean exiting the specialty steel business, which he sees as a strong growth market. "We see the prospect of double digit growth for high quality special steels," says the Walsin chief.

Market optimism is matched, with some reservations, by Mr Chiao's views on domestic social and political development. Although he sees "serious problems" that need to be addressed, from infrastructure to red tape, he cites progress in sdjusting to democratic reforms and economic adjustment. "We have come a long way, the most confusing time is over."

TAIWAN EQUITY

FLOWS SURGING

industries.

the island's entrepreneurial spirit remains intact.

The challenge for Walsin Lihwa, according to Mr Chiao, is to maintain this spirit as the group expands In different stages you need different types of people. My father, the founder had a unique character and vision to build this company from nothing," he says. "Now have new high-tech businesses so we need to develop a creative atmosphere.

Part of the answer, he believes, is to increase specialisation and professional management. Thus Winbond was spun off ast year, with Yu-cheng. the eldest brother at its helm. The other brothers, and their sister, bave also developed defined areas of responsibility. Yu-heng heads Walsin Technology Corporation, another candidate for a spin-off, while Yu-chi and his sister Yu-hwei are responsible, respectively, for wire and

cable and corporate

purchasing.

Further re-engineering is on the cards in a bid to cultivate "bottom up" initiatives. "How to organise, how to develop a corporate structure which can best run these different businesses is a major issue for the next year or two." says Mr Chiao. "In the past we developed our business by issuing new capital, by selling assets because the stock market and property market was booming. In the future we have to manage growth from our cashflow." Analysts applaud such

priorities. But maintaining dynamism and management efficiency present a tough challenge in a family-controlled company. Whether groups like Walsin can succeed will determine whether the momentum of Taiwan's founding industrial generations can be sustained.

John Ridding

on domestically-run Taiwan equity funds

relative to the Taiwan Stock Exchange's

Taiwan's diversified industrial structure and

abundant capital resources complement

mainland China's and Southeast Asia's

expanding low-cost downstream producers.

Taiwan exports upstream raw materials, semifinished products and capital to these areas.

Taiwan is the 2nd largest investor in China and

the world's 3rd largest producer of information

technology products. Taiwan's leading firms in

petrochemicals, textiles, steel and electronics

are well positioned to benefit from the

bottoming out of cyclical prices in these key

The London-listed Taipei Fund and the Hong

Kong-listed New Taipei Fund provide overseas

investors with a proxy for investing in Taiwan's

domestic "retail" investor dominated stock

market. These funds have among the best track

records in Taiwan's fund management business

and consistently outperform the market. The

Taipei Fund's net asset value has appreciated

777% in US dollars since its 1986 launching

through October 4. The New Taipei Fund's

NAV is up 48% since its 1992 launching. Both

funds are registered in the UK as distributing

Taiwan's Best Market Proxies

turnover were lifted in August.

China & Southeast Asia

Taiwan's Advanced Industrial

Structure is Complementary to



Panoramic view over the sprawling capital Taipei, showing the white Chiang Kal-shek memorial half in the distance

■ Finance: by Laura Tyson

### Yet more changes needed funds in and out of the coun-

By 2000, controls on capital flows end, merging offshore and

domestic banking Taiwan's highly incremental approach to financial liberalisation may have its detractors, but few could deny that there have been sweeping

changes over the last decade. "Since 1987 we have been engaged in reform of the financial system and financial markets," says Mr Chen Mu-tsai, deputy minister of finance, "This must be undertaken in the suitable sequential order, which has made liberalisation a very complicated procedure."

But more changes are needed if the government is to realise its plan to transform Taipei into a regional financial centre in east Asia. To achieve this, we are trying to set up a comprehensive legal framework which is in line with international practice," says Mr Chen.

Reforms are important for more practical reasons too. According to Mr Chiang Pinkung, chairman of the ministerial-level council for economic planning and development (CEPD), the outdated financial system - in particular the banks - is one of the main factors holding back Taiwan's economic growth.

"The banks insist on guarantees. Witbout them you cannot get a loan. This makes it very difficult for the small and medium-sized enterprises which comprise 95 per cent of Taiwan's industry," he says.

Several more la reforms will be undertaken in the next few years, after which it will mostly come down to the perhaps harder task of fine-tuning.

In early 1997, the country's first rating agency for corporate debt is to be established. Initially financial institutions and later corporate issuers will be required to get a rating from the new agency, which will be private and backed by domestic banks, securities firms and international rating agen-

Next year, too, the finance ministry plans to issue licences for finance companies, now non-existent, in a move designed to bring the rampant illegal underground financing market above ground. Later, Taiwan plans to set up a futures trading controls on remittances of

exchange, pending passage of relevant laws in the national legislature. It is hoped this will stop illegal futures trading, which continues despite a severe crackdown in the early 1990s. By the year 2000, all remaining controls on capital flows will be abolished, effectively merging the offshore and domestic banking

markets. "Liberalisation of capital flows is a key component in the establishment of a regional financial centre," says Mr Chen. He added that in the event of a political or military crisis, the cabinet retained the legal right to reimpose foreign exchange

controls, but approval from the national legislature must be secured within 20 days. Whether Taiwan can suc-

ceed in becoming a financial

exchange restrictions were lifted completely for trade-related transactions. Interest rates and foreign exchange rates, previously fixed by the central bank, were freed and are now largely determined by market forces. Authorities then turned to

try were relaxed. Foreign

the securities market. Curbs on the establishment of new securities firms were lifted in 1990 and the number of domestic brokerage houses jumped from 28 to roughly 300 today. Rules for listing on the domestic stock exchange were streamlined and the number of listed companies rose from below 200 to 360 currently.

In 1994, foreign brokerage houses were allowed to apply for foreign branch licences and effectively

Asia 7\$52.0bn

Asear

T\$27.7bn

T\$24.4b

Total: T\$65.0br

T\$10.9b

Europe

into line with internation practice, will have to wa Most of our investors a housewives and they do n want to cancel Saturd: morning trading or one afternoon trading, so v have decided to wait a ye before considering the iss again," Mr Hsu says.

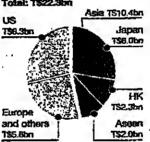
Reform of the banking sy tem - essentially frozen time for decades - began 1991 when the finance mini try handed out sixteen ne banking licences. The ne banks were established 1992, adding nearly \$7bn the capital base of the ban ing system and injecting much-needed dose of comp tition to Taiwan's the rather sedate banking ma

Foreign banks since 15 have enjoyed nearly nation treatment in Taiwa although with a few exce tions most do not choose enter the consumer marke

The restructuring of t banking system is still und way. The scope of busine for commercial banks h been widened to inclu securities operations. recent years investment a trust companies have be permitted to convert in commercial banks a regional business ban were allowed to upgrade in

nation-wide banks. Problems in the banki system have been hig lighted by 28 bank rur mainly among smaller cree co-operatives, since Ju 1995. Mr Chen attribut most of these to poor int nal controls. "The existi legal framework for t farmers' and fishermen's well," he says, adding th the system was under resion. The insurance indust is also being liberalised wi the market opened to noninsurers for the first time 1994. At the same time, the lucrative three-way oligopo in short-term paper issuan has been opened to new me ket entrants, with eleve new firms being grants licences.

### Bilateral investment 1952-1995 Foreign Direct Inve Outward inves



centre, and even the very definition of a financial centre, is the subject of vigorous debate in Taiwan's financial community. Some regard the quest to be a financial centre irrelevant if not impossible, particularly given the absence of direct political and economic ties with China. But as one foreign banker privately noted, the government's emphasis on the financial centre project is beneficial in that it concentrates minds on the nec-

essary task of reform. Some also fault the government for its incremental. consensus approach to reforms, in which the views of all parties are aired and considered at length, as too slow and characterised by "one step forward, two steps

back. But supporters argue that this is a more practical and solid way to conduct reforms than the "shock" treatments favoured elsewhere.

The domestic stock market was opened to foreign investment in 1991. The ceiling on the amount of foreign funds allowed to invest in domestic shares has gradually been lifted. Last month, the central bank announced that at the end of 1996, the ceiling would be raised from 20 to 25 per cent of total market capitalisation. The limit on any single foreign shareholder in a Taiwan company will simultaneously be lifted from 7.5 per cent to 10 per Mr Hsu Yung-pang, vice chairman of the Securities

granted national treatment.

and Exchange Commission. said the ceiling may be scrapped altogether before long. "It is possible we can quickly removs the limits, because we notice that some countries have no restrictions and their foreign investment is only 10 or 20 per cent," he says.

But one reform long In the late 1980s, strict sought by foreign investors, bringing stock trading hours

Perhaps the most impo tant - and the most difficu financial reform Taiws needs to make involves change in government cu ture, from a culture of profi bition to one of permission To stimulate innovation an lnitiative, Taiwan mus abandon its traditional pratice of regarding all thing that are not explicitly legs as illegal.

CASE STUDY Taiwan Tobacco & Wine

### Monopoly prised loose TT&W's sweet lychee

Taiwan Beer is to lead the competition against the entry of foreign brews

No-one could accuse tobacco monopoly of having fallen on hard times. But Its long-time stranglehold on the island's vibrant "sin" market is fast being prised loose, and the sleepy government department dating back to Japan's pre-war colonial rule aims to give upstart foreign rivals a taste of their own

Liberalisation of imports has spawned a proliferation of liquor shops and wine bars offering a diverse array of exotic libations at exorbitant prices - fattened by hefty import duties which do little to deter Taiwan's newly prosperous and label-conscious

The shelves of 'mom-and-pop" stores and supermarkets alike bristle with foreign brews, ranging from the ubiquitous Heineken and trendy brands such as Red Dog and Superior – the latter being a Belgian imitator of the local favourite, Taiwan Beer. The import invasion has

pushed the market share of rice-based Taiwan Beer down to about 75 per cent from over 96 per cent just three years ago. So the monopoly, with the tongue-twisting name of

Taiwan Tobacco & Wine

Monopoly Bureau (TT&W), is launching a counter-offensive Mr Martin Tsai, director of international business at TT&W, is using its most famous brew to spearhead an attack on overseas

"We want to use Taiwan Beer as our flagship product to enhance the international image and reputation of our company," he says.
TT&W remains one of the government's biggest money-spinners with total sales of \$2.8bn last year. But overseas sales amounted to a paltry \$23m.

Mr Tsai wants to boost sales in existing markets and open up new markets in China, south-east Asia, eastern Europe, south America and Canada for TT&Ws stable of drinks and its reassuringly-named cigarette brand, Long Life.

wine sells well in France and Kaoliang, a flery sorghum liquor, is modestly popular in Sonth Korea. Local top-seller Shaoshing wine, a strong rice wine, has found favour in Japan.

The impetus behind the plan is Taiwan's keen desire to join the World Trade Organisation. The government has pledged to dismantle the monopoly bureau within two years in return for leading trading partners' support for Taiwan's membership

Once sweeping reforms of ths industry are complete. local and foreig er-makers and wine-makers will be allowed

to produce and bottle alcohol products. Import duties will be reduced and rationalised. and domestic taxes on locally produced products

are to be introduced.
In addition, restrictions on the advertising of alcohol and tobacco in newspapers, magazines and television will be relaxed

TT&W will be restructured from a government department to a state-owned corporation. Eventually it will be listed

exchange and privatised. In the past, TT&W had the unheard-of luxury of never needing to advertise Those days are over. The popularity of foreign products is rising quickly. and TT&W's market share

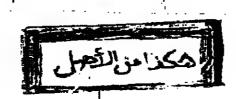
is slipping So the burean began dvertising for the first time late last year and has since spent \$3.2m on advertising. an amount Mr Tsai calls much too little?

Chinese communities across Asia and also in the west are a natural market, Mr Tsai says. TT&W's initial strategy is to place advertisements in Asian duty-free shops, in flight magazines and trade publications specialising in tourism and the food and beverage industry. Taiwan Beer is also being offered on a number of regional airlines including Cathay Pacific, Malaysian and

Singapore. Taiwan Beer will not be as widely quaffed as many of its foreign rivals, but perhaps it may become more appreciated outside its home turf.

Laura Tyson





### ARTS

ith the relationship between Britain end mainland Europe poised in ns a permanent state of ted crisis, there is something orderfully apt about Lars Von Trier's Breaking The Waves. First, here is a Danish director setting foot on a make-believe Calvinist Scottish island to film the ill-fated romance between a edish oil-rig worker and a virgital local waif (The Euro-pudding goes nordic, with a pinch of ardonic angst.) Secondly, here is a movie about a "united community" which reveals that hoth unity and community are fragile illusions, especially if built on the arbitrary fiats of our elders.

LIRSDAY OCTOBER 10

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With the death of Kieslowski, Trier is now the outstanding film-maker in northern Europe. A post-modern Bergman crossed with a new age Welles, he throws his characters into settings that are part real, part chambers for revelation and psychodrama. Europa turned more witty techno-tricks than almost any narrative movie since Citizen Kane. And The Kingdom was a black comedy set in a sumptuously expressionist Danish hospital.

Breaking The Waves (opening next week) seems simpler. It offers location shooting and plain, often handheld photography. For 2% hours the camera whirs as artlessly as a home movie as we come to know Bess (superbly played by newcomer Emily Watson), the timid imp with a history of mental illness. and Jan (Stellan Skarsgard), the friendly giant who blows in from the North Sea.

When Jan is crippled in a rig accident the film's casual-primitive style continues, though more and more it seems to combine innocence with an awed, faintly prurient curiosity. Rohbed of his manhood, Jan sends Bess out to find other lovers, offering this freedom as a love gift and through Bess's sharing with him the tales of her adventures - as the only way to keep their love

The couple reckon, though, without Bess's near-religious . notions of fidelity: alone in church she pours out her divided soul in prayer, apostrophising - God and also voicing his imagmed answers. And they reckon without the island's priestly elders, who begin as whiskery figures of fun and end as gaunt = earthly deities.

Trier's new style refreshes his .. : \_ humanism, even if it reduces the · · rich layers of metaphor and metafiction we found in earlier : :: works. Here the few symbolic images - such as the church stee-- ple which has lost its bells (no prize for guessing the connection with Jan's condition) - seem. plonked awkwardly into the naturalistic movie landscape. And the volume is turned up over- and Euro-magicians. Now they sumer protection society when it throughout like Robin Williams, loud oo the counterpoint between Old Testament dogmatism (the elders) and the story's invitation to New Testament compassion

A 7 ith the posthumous

composed almost 60 years ago, an

era has been rounded off. It is the

which bigger last bricks were put

into place when Schoenberg's

and Alban Berg's (complete) Lulu

Yet Zemlinsky's Der König

Kandaules was the last major

work of a composer whose ties to

the Schoenberg circle were of the

closest. He was Schoenberg's one-

er-in-law, Berg quoted a theme from his Lyric Symphony in his

own Luric Suite. In recent years

there has been a Zemlinsky

revival: besides the Lyric Sym-

time teacher, and later his broth-

were performed, long after their

- (uncompleted) Moses und Aron

Second Viennese School era, of

Hamburg premiere

of Alexander Zem-

linsky's last opera.



A rich mix of symbolism, melodrama, psychodrama and black comedy: Emily Watson and Stellan Skarsgard in Lars Von Trier's Breaking the Waves

### Cinema/Nigel Andrews

# Innocence in a cold climate

(Bess, stoned and vilified bad sheriff in a Texas border becomes a near-martyr.)

Trier is nonetheless the only European director today who could begin to get away with such a rich mix of symbolism, melodrama, psychodrama and black comedy, wrapped in his mischievously capacious love of paradox. This is a film that pours scorn on institutionalised religion, yet ends with a barnstorming miracle. This is a film too that celebrates the human heart even while showing that, in an imperfect world, it can lead us unerringly to disaster.

While Breaking The Waves won friends at one end of this year's Cannes Film Festival, the main competition, John Sayles's overpraised Lone Star wowed the T-shirt and jeans brigade at the Directors Fortnight, What a fusty crowd these "alternative" cinephiles are now becoming. They used to applaud mould-breakers love second-rate new Hollywood comes to soma Hollywood films. doing his eternal child routine: movies that seem like xeroxes of the could be called "Off-flick". In all down-turned mouth, pleading movies that seem like xeroxes of second-rate old ones.

town who, years before, might have killed two illegal Mexican immigrants or "wetbacks". The covered-up crime is now being uncovered, after a skull is found under desert sand. New sberiff Chris Cooper vows justice, though matters are made difficult by the heavy flashback schedule and a laboured subplot, also on raclal themes, about a black army officer (Joe Morton) rebonding with his father.

The film is undoubtedly worthy. But so were Otto Preminger's worst blockbusters. Sayles brings none of the main characters to life, least of all his hole-inthe-screen hero. And we can only wince at the didactic clumsiness with which large portions of Tex-Mex history are fed to us. plus llberal gloss, via classroom scenes involving Cooper's teacher girlfriend.

We are surely overdue for a con-Francis Ford Coppola's Jack Kris Kristofferson plays the Robin Williams Is the pre-teen

BREAKING THE WAVES Lars Von Trier

John Sayles JACK

LONE STAR

Francis Ford Coppola THE WIND IN THE WILLOWS

Terry Jones YIDDLE WITH HIS

FIDDLE

Joseph Green

schoolboy with a cellular malfunction which makes his body grow faster than his mind. At 10 he looks 40. At 16 he looks like Albert Einstein. Yet he bebaves doing his eternal child routine:

eves and knock knees. The audience suffers from sym-

pathetic ageing. Coppola brings a brave if foolhardy panache to the enterprise and may even heve intended some cunning satire, I would love to believe that the schoolfriends' multi-storey tree house, equipped with TVs and table lamps, was a parody of American consumerism manifesting itself even among the young.

But I somehow doubt it. I suspect it is just American consumerism. It runs riot like everything else in this film which never does anything by halves, though one keeps wishing it would. A little less cap-in-hand pathos would be welcome; and a little less symbol-lsm involving butterflies. (Yes, we know they bave short lives.) As for the comic potential of flatulence, if you think you saw every variation possible in The Nutty Professor .

In The Wind In The Willows. opening next week, the cream of British performing comedy is poured over Kenneth Grahame's fable with fair-to-pleasant results. Terry Jooes writes, directs and plays a full-throttle Mr Toad. Steve Coogan (Mole). Eric Idle (Rat) and Nicol Williamson (Badger) riot in a computer-enhanced countryside. And the songs well, we heve heard worse, and we roundly applaud a film with the courage to deprecate one of its own knees-ups. "Did they sing that dreadful song again?", someone is asked just after escaping the Wessels

Frankly, though, the Alan Bennett/Nicbolas Hytner National Theatre staging has spoilt us for just about everything else Grahame-wise. Jones gives us energy, colour and famous comedians (John Cleese, Stephen Fry, Michael Palin as "The Sun"). Bennett and Co gave us some-thing more: the sense of a larger England with a larger sadness, lying just beneath the beauty and hilarity.
Yiddle With A Fiddle, a vintage

Yiddish musical comedy, also has its larger sadness. Filmed in 1936 among the Polish shtetls, few members of its cast would be allve ten years later. The film launches the Barbican's season of 1930s and '40s Jewish cinema, richly assembled from two decades of one culture's beleaguered exuberance.

wounded Gygea. As Candaules

James O'Neal, replacing an indis-

### Full of Eastern promise n its venturesome efforts to

Dance

illustrate the global diversity of contemporary dance, The Place Theatre, that tireless host to choreographic activity from Europe and beyond, has instead frequently succeeded in laying bare the standardisation which pervedes every aspect of modern, urban culture.

Not that one can bleme the host venne for the cultural indistinguishahility of its guests. Recorient, the theatre's annual season of dance from the Far East – Korea, Japan, Hong Kong, Taiwan and China make up this year's contingent – promises sundry unfamiliarities. But there is also much in the work of some of these featured artists which feels depressingly commonplace.

Mirage of the Wind, a solo performed by female Korean choreographer Kim Eun Hee, is hland, internationally functional fare, its most alluring component the Raegum Sanjo accompaniment -the traditional Korean stringed instrument here made to sound like a tipsy harmonica. Eun Hee, eems as partial to western contemporary dance techniques as to the stilinesses, cronches and flourishes of her more indigenous dance background. The assimilation is, for the most part, skilful enough, but it does not really serve the dancer or the work. Having conjured up halfremembered or imaginary locales, Eun Hee then adopts a rather neutral, and eventually stagnant, vocabulary in order to enter and exit these potentially intriguing, peripheral zones.

n the same bill, another Kim - the Japanese, evepatchwearing male soloist Kim Itoh - hacked hy three naked and absurdly camp disciples known as Tha Glorions Future, presented Dead and Alive. As in Eun Hee's work there are snatches of western influence in Itoh's dance theatre principally the use of Mendelssohn and Ravel which is, at times, so Indicrously out of place with what is happening on stage. Itoh does not so much fail to discover the qualities of delicacy and bombast in the music, he just chooses to ignore them.

Yet the incongruous juxtaposition of elements in Itob's work is peculiarly affective. Caught in an infra-red glow, Itob travels across the stage on his knees, moving with slow, painful intent. He wears a white shift dress; his shaved head with Its clump of spronting plaits is encased in a black stocking; bis wrists are locked together hehind his back. Ontside the theatre he would probably be mistaken for a transvestite bank robber under arrest. Meanwhile, like a Bacon painting coming to life, his partners in crime occupy and rotate within individual pools of light, displaying the sinewy ontlines of their contorted bodies, hands kept firmly

clasped against groins. The work closes with a solo in which the extraordinary weight-lessness and plasticity of Itob's movement gives way to a long phrase wherein his body seems almost paralysed by a seismic, inner turmoil. And as he teeters away on make-believe stilettos, the performer's weird charisma is eloquently confirmed.

Sophie Constanti

The Recorient season continues until October 10 at The Place.

# Opera of dark, suggestive ironies The Zemlinsky revival continues in Hamburg, reports David Murray

after Oscar Wilde's Birthday of the Infanta (seen at Covent Garden), and his string quartets.

Other operas have been appearing on CDs, but King Candaules (based on Gide's play Le roi Candoule) had to wait until now for its orchestral completion by Antony Beaumont. Zemlinsky finished the short-score in 1936. before fleeing to America. There, however, he was advised that the immoral story would be unacceptable on the operatic stage: so instead of completing the full score he began thinking of other

phony, his hrilliant little opera projects, but died as the second world war broke out

In Gide's fable, Candaules is the immensely rich and generous king of ancient Lydia, happy only if he can share his wealth with all his friends. At one of his lsvish banquets, three fateful things heppen. Candaules makes his wife Nyssie unveil, reluctantly, so that his friends too can rejoice in her heauty; a golden carp brought by the poor fisherman Gyges proves to contain a magic ring that confers invisibility; and Gyges, learning of his own wife's unfaithfulness, slays her.

drawn to Gyges: soon he is urging him to use the ring so that be can watch Nyssia undressing for bed, and then to take Candaules' own place with her overnight. In the morning. when Nyssia learns of the deception, she commands Gyges to kill her husband, and makes him the new king with herself as queen. The suggestive ironies of the fable are darkly matched in Zemlinsky's music, seemingly transparent but queasy with implica-

But Candaules is strangely admirably faithful. The scoring is heautiful and often surprising, with many "oriental" touches like Zemlinsky's Der Kreidekreis just earlier, but unlike it a full-blooded opera.

The Hamburg Opera had Gerd Albrecht, a Zemlinsky devotee, as conductor, and a strong team of Gyges' flatterers and hangers-on. Of the three principals, Nina Warren's Nyssia was properly shy and lovely (though the voice betrayed some wobble), and the baritone Monte Pederson remembered here for his Lear was a magnificently brooding.

posed Thomas Moser, was not in the same class: he sang well enough, but made far too little of this hyper-aesthetic King's nervy. self-conscious character. The story will not be fully told until we have a Candaules and a

Gyges who are equal to one another. Günter Krämer's staging was thin on psychological detail, though Gottfried Pilz's set (with a large swimming-pool around which the banqueters preened and disported themselves) was striking. All gratitude to Hamburg, certainly, but before long, perhaps another production will expose the ironic force of the opera to more pointed effect.

In repertoire at Hamburg until

# INTERNATIONAL ARTS

- deaths.

### ■ AMSTERDAM

Concertgebouw Tel: 31-20-6718345 La Petite Bande and Collegium rocale: with conductor Sigiswald (uijken, soprano Sandrine Plau, ilto Marijke van Amhem, tenor lean-Paul Fouchécourt and bass larry van der Kamp perform laydn's Quae Res Admiranda ind Dictamina Mea; 3pm; Oct 12

### **■ ATHENS** XONCERT

uthens Concert Hall Tel: 0-1-7282333 Camerata Academica des lozarteums Salzburg: with onductor Sándor Végh and iolinist Leonidas Kavakos erform Mozart's Violin Concerto lo.5, K219, Cassation No.1, K63 nd Divertimento No.10, K247; .30pm; Oct 12

**BERLIN** CONCERT

Konzerthaus Tel: 49-30-203090 Rundfunk-Sinfonieorchester Berlin: with conductors Robin Gritton and Heinz Wallberg and the Rundfunkchor Berlin perform works by Bruckner; 8pm; Oct 13 Philharmonie & Kammermusiksaal Tel: 49-30-2614383

 Deutsches Symphonie-Orchester Berlin: with conductor Claus Peter Flor, soloists Claudia Barainsky, Rosemarie Lang, Siegfried Lorenz and the Rundfunkchor Berlin perform works by Bruckner and Szymanowski; 8pm; Oct 11, 12

### ■ COPENHAGEN CONCERT Tivoli Concert Hall Tel: 45-33 15

10 01 Danish National Radio Symphony Orchestra: with conductor Ulf Schirmer and baritone Boje Skovhus perform

works by Pade and Bruckner, 8pm; Oct 11 Det Kongelige Teater Tel: 45-33

 A Midsummer Night's Dream: a choreography by George Balanchine to music by Mendelssohn, performed by the Royal Danish Ballet. Soloists Include Silja Schandorff and Aage Thordal Christensen; 8pm; Oct 11

### **DENVER** EXHIBITION

Denver Art Museum Tel: 1-303-640-2793 Photography & Beyond in

Japan: this exhibition examines the impact of photography on Japanese contemporary arts. It sents 90 works created in the past 15 years by 12 Japanese artists. The exhibits range from conventional prints to sculptural works and formats that reassess the medium, including three-dimensional images and computer-synthesised pictures; from Oct 12 to Jan 5

### DUBLIN

CONCERT National Concert Hall -Ceoláras Náisiúnta Tel: 353-1-6711888

 RTE Concert Orchestra: with conductor Prolnnsias O Duinn, soprano Oria Boylan, baritone Wojtek Drabowicz and presenter Maire Nic Gearailt perform excerpts from operas by Mozart, Puccini, Verdi and Bizet; 8pm; Oct 11

### **HELSINKI**

EXHIBITION Amos Anderson Art Museum Tel: 358-0-640221

 Travels with Parviainen. Oscar Parviainen (1880-1938): travelling retrospective exhibition introducing the work of the Finnish artist Oscar Parviainen. The exhibition features oils, watercolours, drawings and prints dating from the artist's student days through to the 1930s. In Parvisinen's works - many of them inspired by his travels various elements of earlier periods in art history are combined, including the Renaissance,

Baroque, Romanticism and late 19th century painting. Most of the works come from the Parviainen estate: to Oct 13

tions. As far as one could tell,

Beaumont's lahours have been

Opera House Tel: 358-0-403021 Il Barbiere di Siviglia: by Rossini. Conducted by Kari Tikka. and performed by the Finnish Opera. Soloists include Klas Hedlund, Kalevi Olli and Riikaa Hakola: 7.30pm; Oct 12

### HONG KONG

CONCERT Concert Hall/HKCC Tel: 852-27342809

 Hong Kong Philharmonic Orchestra: with conductors David Atherton and Chang Wing Wah, and planist Artur Pizarro perform works by Beethoven. Rachmaninov and Chang Wing Wah; 8pm; Oct 11, 12

### **■ LONDON** CONCERT

Oct 12

Barbican Hall Tel: 44-171-6384141 · City of London Sintonia: with conductor Richard Hickox, cellist Alexander Baillie and soprano Patricia Rozario perform works by Britten, Guy and Keal; 7.30pm;

Royal Festival Hall Tel: 44-171-9604242 London Philharmonic

Orchestra: with conductor Roger Nomington, tenor Maldwyn Davies and hom-player Richard Bissill perform works by Vaughan Williams and Britten; 7.30pm; Oct Royal Opera House - Covent La Bohème: by Puccini.

Conducted by Charles Mackerras, performed by the Royal Opera. Soloists include Angela Gheorghiu, Patricla Racette. Roberto Alagna and Simon Keenlyside; 7.30pm; Oct 11, 14

### ■ MADRID CONCERT

Auditorio Nacional de Música Tel: 34-1-3370100 Orquesta Sinfónica de Madrid:

with conductor Rafael Frühbeck de Burgos and guitarist Pepe Romero perform works by Turina, Palomo, Prieto and Ravel. Part of the Festival de Otoño; 7.30pm; Oct 11

### ■ NEW HAVEN

EXHIBITION Yale University Art Gallery Tel: 1-203-432-2800

 Thomas Eakins: The Rowing Pictures: this exhibition hosts all known rowing pictures of the American realist Thomas Eakins (1844-1916). The nine oil paintings and fourteen drawings were made between 1870 and 1874. Eakins investigated in his rowing pictures the problem of depicting the physical motion of rowing; from Oct 11 to Jan 14

### ■ NEW YORK

**FESTIVAL** Alice Tully Hall Tel: 1-212-875-5050 New York Film Festival: 34th edition of this international film festival: to Oct 13

### PARIS EXHIBITION

Musée d'Orsay Tel: 33-1 40 49 Paul B. Havlland, photographe

(1880-1950): exhibition featuring about 40 works by photographer Paul B. Haviland, a member of the Photo-Secession. His works include portraits, nudes and urban landscapes; from Oct 14 to Jan 5

### Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50

 Cosl fan Tutte: by Mozart. Conducted by Jean-Claude Malgoire and performed by La Grande Ecurie et La Chambre de Roy. Soloists Include Danielle Borst, Sophie Fournier, Hubert Claessens and Patrick Donnelly; 7.30pm; Oct 11

### **SYDNEY** EXHIBITION

Art Gallery of New South Wales Tel: 61-2-2251700 Arthur Streeton 1867-1943: large-scale exhibition celebrating the work of this Australian artist. The display includes paintings and watercolours showing the diversity of his work; from Oct 11

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Tonight CNBC:

08.30

Squawk Box

10.00 European Money Wheel

Financial Times Business Tonight

### **COMMENT & ANALYSIS**



as does the Treasury.

tion in the public finances.

In the autumn of 1994 the

Treasury triumphantly proj-

ected a declining series for

the public sector borrowing

requirement (PSBR). This

was supposed to have fallen

to £14bn in this financial

year, 1996-97, and to have

vanished altogether by

1998-99. In fact the projec-

tion for 1996-97 was raised to

£22bn last autumn and

again to £27bn in this sum-

mer's official economic fore-

cast - nearly twice the origi-

Now, however, the Green

Budget expects the outturn

for the present financial

vear to be slightly better

than the Treasury's summer

projection. More important:

t sees the setback as a once-

for all pause before the

downward path in public

sector borrowing is resumed. Indeed it foresees

the end of all public sector

As for the 1996-97 Budget

to be presented by Mr Ken-

neth Clarke, the chancellor,

on November 26, the words

of the IFS authors are more

severe than their arithmeti-

cal reasoning. They warn, in tones worthy of a Treasury

borrowing by 1999-2000.

nal projection.

Economic Viewpoint · Samuel Brittan

# No fiscal crisis for now

Although fears that the UK will need a post-election emergency Budget look unfounded, the latest analysis reveals more deep-seated problems

As usual the Green Budget knight, that to cut taxes produced by the Instituta now "would be dangerous". But their detailed analysis for Fiscal Studies, in conjunction with Goldman shows that, because of lower inflation, public spending plans could be cut by £3bn Sachs, provides the outsider with the best svailable view of the fiscal outlook before in cash terms next year and the chancellor announces his Budget at the end of still leave real public apending slightly higher than November. Goldman Sachs, originally planned. which is responsible for the indeed if Mr William macro side of the document. operates with a view of the economy fairly well in line with mainstream thinking,

Waldegrave, the chief secretary, can achieve cash cuts of slightly less than this amount and the chancellor can scrape together £1bn of One's first feeling in extra revenue by tightening looking through the docu-ment is relief. As elections up indirect taxes, allowances or exemptions, there approach there are always could be £3%bn to remit in horrible presentiments of "income tax cuts". (The cuts skeletons in the cupboard are "so-called" because the percentage of national income taken in tax norand emergency tax raising Budgets from a post-election government of elther party. mally rises even with unchanged rates under a A specific reason for anxiety on this occasion has progressive tax system been the previous deteriorathe process of "fiscal drag".)

The chancellor should thus be able, on Green Budget arithmatic, to reduce the basic rate of income tax by 14p, increase personal allowances (thereby raising the tax starting point). extend the lower 20p band or achieve some compromise between the three, As the IFS points out, "none of thesa measures helps the poorest 30 per cent of the population" - they are already outside the tax net. Why then is the IFS so have been elidisapproving of "tax cuts"? gether by 2000.

The reason given is that medium-term public spending plans are "unprecedent-edly tight", involving real increases of only 1/2 per cent per annum. No government should count in advance on achieving such control.

The Green Budget arithmetic is however particu-larly reassuring about the medlum term. On present projections the UK will in 1997-98 undersboot the target for the deficit of 3 per cent of gross domestic product set in tha Maastricht tresty - probably earlier than France or Germany. The IFS suggests two

alternative medium-term fiscal objectives tighter than the Maastricht criterion and likely to appear in the stability pact for countries in the EU's monetary union. The stricter is the "golden rule" by which the PSBR would not exceed public sector capital expenditure. This would allow borrowing of

about I per cent of GDP. The more liberal would be a borrowing requirement which would stabilise the public-sector debt as a ratio of GDP. This would require a PSBR of some 21/2 per cent of GDP. On the mainline projection in the adjoining table the PSBR will have fallen well below 21/2 per cent of GDP in 1998-99 and have been eliminated alto-

nomic performance.

But more fundamental is

the increasingly optimistic

view of bow rapidly the

economy can grow with-

Supposa however that out inflationary pressures present spending guidelines cannot be held and public that short-term setbacks can lead to a revival of mediumexpenditure grows in line with underlying long-term term pessimism. We just growth - put at 2% per cent per annum. Even then the uncertainties. The worry raised by the Green Budget is different. It is that some trend, according to the Green Budget, will still be 60 per cent of public spendtowards eliminating the PSBR, although slightly ing is now devoted to social later. The Maastricht critesecurity, aducation and rion would still be met in 1997-98 and the PSBR range health. These are superior goods for which demand suggested by the IFS of 1 to rises faster than GDP.

21/2 per cent of GDP met in Even if, once more, public the following year. spending rises in line with GDP growth, this will not be The medium-term reassurance comes from two forces. enough to satisfy public demand for these services at The first is that there appears, after all, to be no higher real income levels. daterioration in the tax The result is they will have yield from a given GDP. The to make more use of privatefall in the ratio of value sector provision. Thia is already happening with penadded tax and income tax to GDP last year seems to have sions and is likely to occur been a once-for-all shift. with health and education.

Second, projections of real Many reformers would like to encourage this trend. growth prospects for the UK but to ensure provision is economy have improved. Goldman Sachs now preadequate by making private finance compulsory. There dicts a 314 per cent increase is a genuine dilemma here. I find it difficult to get very in GDP next year on the basis of a growth acceleratlon which has already excited about a so-called rolling back of the frontiers started - ignore the thumbsdown aignal from the of the state in which people August industrial producare still told what to do, but tion index which has a long have to make their own arrangements with strictly regulated private suppliers. record of understating eco-

On the other hand, going the whole hog and letting people decide for themselves is not all that attractiva either. In education parents are not making decisions for themselves but for their children. In terms of old age provision it seems hard to penalise people for insurance arrangements they \_\_ failed to make 30 or 40 years ago. Nor would many of us really want to deny modern medical treatment to people because of earlier insurance omissions.

But it is these issues which we should be discussing rather than whether Mr Clarke can cobble together some headline tax rate reductions because of the peculiarities of a progresBOOK REVIEW · Christopher Parkes

HIT & RUN - How Jon Peters and Peter Guber took Sony for a Ride in Hollywood By Nancy Griffin and Kim Master Simon & Schuster, 479pp, \$25

# Repellent kids in a candy store

the bones of a ers. tale which has been dug up and reburied Sony's Awful Adventures in Tinseltown is oouno to be an unsavoury experience. The saga of the the Japanese company's calamitous 1989 purchase of Columbia Pictures, the illustrious but lossmaking studio, has become firmly established as

a lesson in business history. But the story continues. After months of hovering. the axe recently fell on Mark Canton, the breezy bead of Columbia Studios, at the end of a sequence of mishaps and a bad film season. He was quickly followed by his boss,

Alan Levine. Columbia and TriStar, its sister studio, languish at the bottom of the big studios' market-share rankings. The group's film and television operations have been hit by defections and sackings.

Nobuyuki ldei, Sony president. continues to face strategic dilemmas which are no nearer s solution than when Peter Guber and Jon Peters came on board seven years ago. The gap between the cultures of Sony headquarters in Tokyo and its US base in New York has yet to be bridged. And, as this book illustrates, the gulf between the conventions which govern business behaviour in New York and Los Angeles

has yet to be measured. the time of the \$5bn-plus acquisition, was sensitive to the differences between the two countries' management styles. Hurt by media talk of a cultural takeover, and conscious of his company's inexperience in film-making, be Sony would not interfere in the Columbia management. He left appointments largely to New York power-brokers

Picking over and Hollywood backscratch-

with a team headed by a brace of film producers characterised by the book as a dizzy pair of Hollywood under achievers and overspenders, in spite of their involvement in the first Batman film. Guber and Peters had no experience of running a studio, but Sony bought their private company for \$200m, and signed them up for \$2.5m annual salaries each plus large bonuses - setting new standards for Hollywood extrava-

Within the movie community, disbelief quickly turned to envy. Every executive in town started to feel ripped off." the authors say. "One major studio chairman phoned another and said: 'If they're worth half a billion. I'm worth \$1bn, and you're worth \$1.2bn. The Sony deal set off a round of inflation that eventually touched everyone: executives, actors,

directors, agents." Vulgar and intemperate in its use of unattributed quotes, Hit & Run is in many ways a repellent chronicle. Guber and Peters, kids in a candy store, gorged themselves and their cronies in the simple-minded belief, the authors say, that creating the perception of a lush, exciting creative environment would attract talent and profits.

Almost the only cbarac-Akio Morita, Sony chief at ters to emerge with any credit from the authors are the Hollywood wisecrackers and media onlookers who foretold calamity and spread the word: "Pearl Harbour revenged." This xenophobic verdict on the biggest Japanese acquisition of a US responded by promising company was in keeping with the times, when trade tensions between the US and Japan were at a peak.

invited first ridicule and As a result, he ended up then pity. Anti-Jaoanese feeling spurred by Tokyo's alleged "cultural invasion" of Hollywood faded. "Columbia's new owners were hav-

> anese when Guber and Peters were doing such a good job of it?" This is where the authors despite the potential benefits of hindsight - miss the point. They are having so much fun telling their rollicking tale that they neglect even to consider that, rather

descended and the excesses

ing their money spent so fast

that people almost felt sorry

for them. Why bash the Jap-

. A. A.

. . . .

than feeling sorry for Sony. Hollywood was starting to feel sorry for itself. Guber and Peters found no shortage of passengers on their five-year "ride" at Sony's expense. At the same time, the reader is expected to swallow the notion that the film industry was in some way coerced into aping the financial excesses of

these two allegedly risible beginners. However comforting it may be for Hollywood. Hit & Run's core thesis that all the blame for the cost inflation and shrivelled profitability that haunt the film industry today can be laid at the door of Sony's naive Japanese management is self-serving and

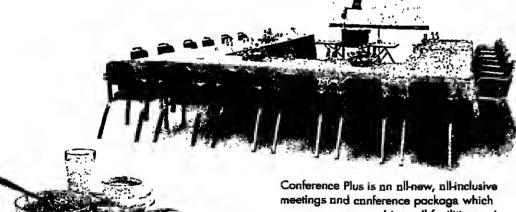
The authors' prologue, taken from the script of The Magnificent Seven and aimed at Sony, would have served better as an epilogue to an unhappy period in moviedom's history: "If God didn't want them sheared. He would not have made them

Hit & Run is available from .. FT Bookshop by ringing FreeCall 0500 418 419 (UK) or As the 1990 recession UK). Free p&p in UK

### **UK** government finances projected

_	£bn .	1996-97	1997-98	1996-99	1999-2000	2000-01	_
	General government receipts	280.9	299.0	320.6	342.3	364,12	
	General government expenditure	308.1	320.5	331.3	342.1	354.6	
	PSER	26.2	21.2	10.7	-0.2	-9.6	
	General government receipts as % of GDP	37.8%	38.2%	38.8%	39.2%	39.5%	
	General government expenditure as % of GDP	41.3%	40.4%	39.5%	38,6%	37.9%	
	PSBR as % of GDP	3.5%	2.7%	1.3%	-0.0%	-1.0%	
	Source: Green Budget						

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### ·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@fi.com Published letters are also available oo the FT web site, http://www.FT.com
Translatioo may be available for letters written in the main international languages.

### A dream, not an investment

Sir, I bave wanted to see a Channel tunnel built for 50 years, ever since I was, wbat, 14? I took the first chance I could to help make one - I took shares in Eurotunnal on their first offer in 1987. Mr David Sawers. (Letters, October 8) claims we who have lost money (and we hava) made an "elementary error" and should have studied cost estimates etc. more. How wrong he is, and bow cynical. I was under no

illusion that this was an

From Mr Keith Wedmore.

investment. I knew about the Panama canal, the early railroads and the rest: wbo didn't? But it was my one patriotic sbare purchase. I paid to have the tunnel

built. It was. I am glad. Last April I had the dream of my life, I rode London to Paris on Eurostar first class. A sorrow of my life (having lived in the US, Canada and UK) has been the stupidities which chauvinism causes in each of those countries and l suspect in France too. Does your correspondent really imagine that ready contact

will not lower barriers? Challenge intelligence? The increasing popularity of the tunnel and the spread of internationalism, of which the FT is just an example. mean that, try as I might as I swallowed the petits fours, I could not evade the thought that a dream was realised. and more than one folly helped to rest.

Keith Wedmore. 5 Cornalia Avenue. Mill Valley, California 94941-1840.

### US opinion on Israel

From Mr Paul P. Sassieni. Sir, The one-sidedness of your editorial "Netanyahu's obligations" (October 1), starting with the title, is disappointing. You have re-stated the Palestinian position without any hint of balance. True. the Palestinians made farreaching concessions at Oslo. Didn't the Israelis make even a slight concession in agreeing to give up control of the Palestinian population centres? Yes, the Palestinians are angry. But don't the Israelis have cause to be even slightly miffed? Yes, the Israelis should fulfil their obligations under Oslo. But shouldn't the Palestinians also do so? Yes. Netanyahu has failed to withdraw Israeli troops from Hebron. But do you really have no understanding of their reticence to do so? You also display an incredible tack of knowledge of US public opinion. In fact, US public opinion overwhelmingly supports Israel because thankfully the majority can discern right from wrong, democracy from

Paul P. Sassieni, P.O. Box 95, Boston, MA 02101, US

dictatorship, truth from

propaganda, and fairness from one-sidedness.

### Prudence dictates: if in doubt, stay out

questionable arguments in

his article. Why should we

commit ourselves to such a

From Dr D.R. Cooper. Sir, In the same edition: first, a report of comments by Hans Tietmeyer, president of the Bundesbank, in which he points out that Emu is meant to last, and the Maastricht treaty provides no exit ("Bondesbank warns over Emu", October 8); and second, an article by Martin Wolf in which he eventually concludes, on balance, that the UK should give a "qualified yes" to Emu - and that on vague political, rather than economic, grounds ("A qualified yes to Emn").

It is hard to see the sense in this conclusion, even without picking at the more

fundamental and irreversible change, when it is proving so difficult to Identify clear and significant potential benefits? There can only be one prudent answer: if in doubt, stay out. Incidentally, Martin Wolf

warns against the "marriage ending in divorce". That is precisely how I felt at the time of the 1975 referendum: but like many others I now regret that I voted to continue the marriage.

D.R. Cooper, 14 Belmont Park Avenne, Maidenhead, Berks SL6 6JS,

From Mr Robert Harrison. Sir, Martin Wolf writes ("The danger of dithering", October 1) that the UK's indecision about joining Emu is tantamount to a

betrayal of democracy. It is also a betrayal of democracy for the people of the UK oot to have the right to make their own decision on what is probably the most important issue before us in 50 years.

A referendum on our whole future in Europe must be held - let the people decide.

Robert Harrison, Cotswold, Southmeads Road, Oadby, Leicester, UK

### Olivetti strategy aimed at rebuilding shareholders' value

From Mr Roberto Colanimo. Sir, We have chosen not to respond to the repeated attacks on Olivetti in the Lex column until we had presented our forward strategy to our shareholders.

Now that strategy has been made public, we were not surprised to see yet another attack in your column ("Olivetti", October 8). There are a number of errors and mispercephons m the plece which warrant a

First, the De Benedetti family does not control the group's board. There is one member of the De Benedetti family on the board, Rodolfo De Benedetti, a highly experienced Italian industrialist with an outstanding business record in his own right.

The board of Olivetti has, as its first priority, the rebuilding of sharebolders' value. In that and every other

respect, Mr Carlo De Benedetti, who owns indirectly 14 per cent of Olivetti, will be treated in exactly the same way as any sharebolder in the company. Investors need not "doubt whether the group is being run in their interests". It is. Lex grudgingly concedes

that our asset sales strategy

is the right one, but even criticises that.
I want to underline what I

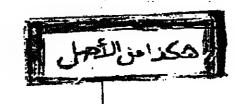
said in my presentation to our shareholders. The development of the telecommunications activities and the systems and services area represents our core business. We also intend to remain majority shareholders of Omnitel and to continue to develop Infostrada.

In so doing, we will pursue a strategy based on an increased integration between information technology and telecommunications, which represent the real and

apecific mission of our

group. I also made it clear that the board's strategy is to enhance abareholders' value in Olivetti and not to run the company down by selling everything that could be sold, as Lex appears to suggest. That course of action would be damaging to the interest of our sharebolders. We do not intend to accept Lex's advice

Robert Colaninno, chief executive officer, Olivetti Group, Via Lorenteggio 257. 20152 Milan, Italy





### COMMENT & ANALYSIS

### FINANCIAL TIMES

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Thursday October 10 1996

# The lesson of Lisburn

attack on the British army base believe in peace and democracy at Lisburn, the IRA has finally squashed any hope that Sinn Féin, its political wing, will join the present phase of Northern Fein might be admitted to the Ireland peace talks.
The ceasefire, which ended in

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mainland Britain on February 9, is now clearly over within Northern Ireland too. It is no good expecting Sinn Fein to condemn the return to violence, any more than the British and Irish governments can be expected to go back on their insistence that the caasefire be restored as a precondition for Sinn Féin's admission to the talks. Were they to drop this precondition, the talks would no intention of disarming, is to become meaningless anyway, make the IRA the large and since even the most moderate unionist would not sit with Sinn Féin in such circumstances.

It is very much to be hoped that the loyalist paramilitaries will refrain from retaliating, thus enabling their political representatives - the Progressive Unionist and Ulster Democratic parties - to remain part of the peace process, in which they have played a constructive role.

But the inclusion of paramilitaries or their political representatives can no longer be treated as an essential ingredient of the peace process. That approach bas now clearly failed - not through any fault of Mr John Hume, leader of the main nationalist party in Northern Ireland (the SDLP), who has pursusd it indefatigably. He would say that the fault lies partly with the British government, but overwhelmingly it is the fault of the IRA, whose conversion to non-violence proves to have been tactical, emporary and insincere.

Monday's double car bomb the parties which genuinely on both sides of the communal divide, to stop arguing about the conditions on which Sinn talks, and to start serious work on the substance of a political settlement which they and their supporters can accept

That means that the "decommissloning" issue - which in any case was already dealt with by the talks chairman, Senator George Mitchell, in his report last January – should now be firmly laid aside. To make prog-ress on political issues dependent on the speed at which the IRA disarms, when the IRA has unnecessary present of ensuring that no progress can happen in talks at which it is not represented. The unionists, of all peo-

ple, should not want that. instead, the unionists and the SDLP should get on as fast as possible with talks on substancs. On powar-sharing within the province, their positions are already close. The main difficulty is the "Irish dimension", which is essential to the self-respect of nationalists but still seen as deeply threatening by unionists. Both should devote all possible good will and imagination to finding a for-

tion which satisfies the former without frightening the latter. Both need to understand that they each have a stake in the other's success. Their chances of defeating their respective extremes are actually far better if they stand together than if they compete in mutual recrimination. In this, both sides can

mula for north-south co-opera-

# Latin elections

Fear of dictatorship led the and won the subsequent elecwriters of most Latin American tions: band of presidents in the region wants to lift the ban on re-

This might be seen as a sign that authoritarian rule is back in fashion, but It would be a mistake to draw this conclnsion. In Latin America's turbuhave not stopped dictators from hanging on to power. Moreover, the rules often weakened the ability of elected administrations to govern.

The president of Equador, Mr. Abdalá Bucaram, only two months into his four-year term, announced this week that he wanted to change the constitution to allow him to run again. The president of Brazil, Mr Fernando Henrique Cardoso, is also trying to secure political support for his efforts to alter Brazil's basic law to the same eod. The trend is spreading to Asia as friends of President Fidei Ramos of the Philippines

press the case for re-election. They are following the exampie of Mr Carlos Menem and Mr Alberto Fujimori, the presidents of Argentina and Peru, who both altered their constitutions,

constitutions to bar presidents from serving successive terms because voters believed them to in office. But now, a growing have dealt successfully with their countries' problems.

Giving voters the chance to do this is good for democracy. When a term of office is only four years - as in Ecuador and Brazil - the case for a successive term is strengthened, since the period between assuming the reins of power and starting the next presidential election campaign is too short to pursue a full programme. Mr Bucaram's eccentric behaviour may not have universal appeal, but if be fails as president, he will be voted ont of office.

The case for re-election is strongest in countries where elections are fair, as most are now, where the legislature and judiciary are independent and where the advantages of incumbency, for example in access to the media, are not excessive.

Even in other countries, such as Peru, where all these conditions do not apply, the length of a president's tanure is much less important than the vigour of the institutions that counterbalance his power. But in most, the possibility of re-election is no more objectionable than in the US or Europe.

# Curbing strikes

o Conservative party confermces. Mr lan Lang, the trade ind industry secretary, has ome up with some ingenious ounding ideas to curb strikes n public services, which have seen a real source of irritation n recent months. But whether hey deserve to be implemented s another matter: as things tand, his plans would probably reate as many problems as

bey would solve. The idea is that unions in ssential public services such as allways, the Post Office and he fire service should lose their nmunity from legal action for amages. So people who sufered financially from a strike ould use the courts to sue here a strike was, in Mr ang's words, "disproportiontely damaging to the public." Mr Lang has wisely ignored emands from some Conservaves to extend the no-strike ile which covers the police. He is also been right to stay clear Labour's suggestions for

johlers (1988)

tending binding arbitration in sential services. These proaches would be expensive. cause of the cost of compensathis. This is demonstrated by they are giving away business e experience of the police, to their competitors.

Proposals to curb the powers of whose pay has consistently rade unions are meat and drink risen faster than that of other public sector workers.

In practice it would be very difficult for courts to determine what damage was "proportionate". Would three one day strikes be more acceptable than one three day striks? Jndges would not relish creating consistent case law from the rough-and-tumble of industrial relations.

The problem should be kept in perspective. Even though the flurry of strikes in the summer resulted in a brief upsurge in the number of days lost through industrial action, there is no evidence of a long-lasting resurgence in trade union militancy. Co-operation characterises most industrial relations - even in the public sector, where unions have accepted persistent job cuts with little more protest than their private sector coun-

terparts. The best way to reduce the impact of future strikes is not by tinkering with the law but by promoting more privatisation wherever sensible, and by encouraging competition: the postal services qualifies for both sets of treatment. Workers will ig workers for losing their strike less often if they know

# The battle of the bulge

European banks are poaching high-flyers to establish a foothold in the US in their drive for globalisation, says Tracy Corrigan

have been making the relatively small scale. news on Wall Street this year by luring top talent from US investment hanks and brokers with offers of huge, guaranteed remuneration pack-

Union Bank of Switzerland and Deutsche Bank are among the European banks that are investing large sums to recruit high-flying corporate financiers and traders in an effort to establish a US presence. So far, the Europeans have managed to capture only a small share of business in any of the main financial markets in North America, but half a dozen are determined to succeed there as part of their drive to become global investment banks.

"In order to be a global leader in wholesale finance, you have to have a very credible presence in North America," says Mr Richard Capone, chief executive officer of Union Bank of Switzerland in North America. "It's indispens-

The Europeans are already more than a step behind top US investment banks such as Moran Stanley and Merrill Lynch in the racs to join the "global bulge bracket". This is the investment banking elite which is expected to emerge as the boundaries between domestic financial markets blur and emerging markets become integrated into the global

The self-styled global investment banks aim to straddle the world's financial markets, earning large fees on cross-border business. For example, when countries privatise state assets. they will advise on, structure and underwrite the transaction and then sell a large proportion of the the shares to foreign investors.

In pursuit of this elite status, the big US banks have already established themselves in Europe, where they are winning a substantial chunk of lucrative mergers and acquisitions and underwriting business. One reason for this is their location at the centre of the biggest pool of investment capital in the

The European banks have also been building up their positions in Europe, with a wave of acquisitions, including those by the German and Swiss commercial and S.G. Warburg. But the only European bank that has gained a strong position in the US market is Credit Suisse, which first took a stake in First Boston, a leading US investment bank, back in

UK commercial banks have also made some acquisitions in the US: for example, National Westminster has bought Gleacher, an M&A specialist; and Barclays has acquired Wells

urope's usually staid Fargo Nikko, a fund manager. commercial banks However, these have been on a

Most of the European banks have sought to establish themselves in the US by building operations from scratch, rather than buying existing businesses. One reason may be that the Swiss and Germans are still having trouble digesting their UK acquisitions - there is a feeling that "organic growth may be easier to manage", says one

Another reason may be that the European banks are unexcited by what is on offer in the domestic brokers and investment banks, but few cover the range of businesses, from trading to corporate advisory work, which the Europeans aspire to

None of the candidates would have gotten us exactly where we wanted to be," says Mr Carter McLelland, Deutsche Morgan Grenfell's chief executive in the

Mr Callum McCarthy, chief executive of BZW North America, says Barclays is prepared to invest on a substantial scale "where it sees value", But he is sceptical about wbether it is worth acquiring US stockbrokers, when the Glass Steagail law separating commercial and investment banking is finally jetti-

"Lots of broker-dealers will be bought and, as in the UK's Big Bang, a lot of them would have gone bust, if they hadn't been bought," he says.

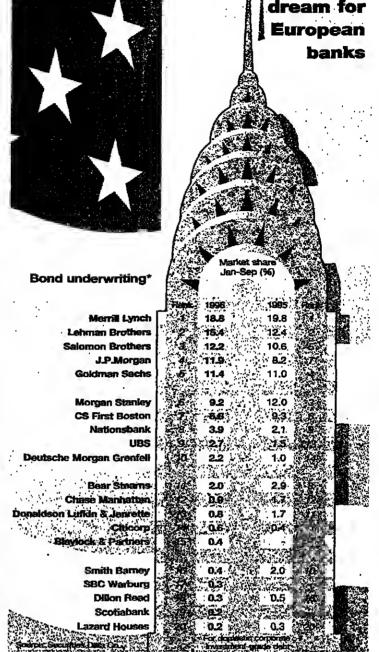
According to one mergers and acquisitions adviser, the Europeans have had a good look, bnt "the best investment banks are unaffordable, and the others they probably wouldn't want".

Two strategies can be distin-guished in the Europeans' attempts to establish themselves in the US. One is to target crossborder rather than purely domestic business - for example, selling European equities to US institutions.

However, this could restrict the Europeans to nichs businesses aven though some could be highly profitable. And such a niche position could be vulnerable to competition from the big. US firms which now have large European equity operations and banks of British investment may be able to offer s service banks such as Kleinwort Benson comparable with that of the European "specialists".

In any case, if banks such as SBC Warburg and BZW accept a niche position in the US - even a successful one - it is unlikely to bring them the credibility needed to be a member of the global

"We are not interested in being a medium-sized business," says Mr Hans de Gier, SBC Warburg's executive chairman. He says his bank will stay out of those mar- in the bond underwriting busi- some old guy like me. We are



kets where it cannot have a dominant position.

The other strategy is to go head to head with US firms in the US financial markets.

by acquiring smaller firms. "We are looking to build up a major domestic presence," says Mr Peter Hall, president of NatWest Mar-kets US. "We do not believe we can aspire to be a global leader without that."

UBS, by contrast, has built up a strong position in bond underwriting, with some high-profile

ness, by subsidising uneconomic transactions.

Neither of these has made the same splash as Deutsche Morgan Grenfell. This most ambitious of One that has followed this path the European pretenders is a lateis NatWest, which has bought in comer to the US market, end bas domestic mergers and acquisi-tions and bond-trading expertise expanded rapidly by poaching Street firms of the 1970s and 1980s no longer exist – for exam-

Managing such rapid growth may prove tricky. Deutsche Morgan Grenfell's US staff has grown 50 per cent this year, from 1,200 to 1,800. Mr McLelland, the company's US chief, says it is quickly developing its own entrepreneurial culture. "There are 40-odd people at managing director level who bave come from top US hirings. However, critics point firms. They were doing a good out it is easy to buy market share job but they were stuck behind

attracting a more entrepreneurial

American

And so far, no European bank has yet managed to establish a viable presence in the domestic market. "It is like trying to attack the US soft drinks market with a European brand," says one sceptical European banker. You can do it, if you throw enough money at it, but you are likely to dastroy sharebolder value in the

process. However, difficult though breaking into the bulge bracket

is, it is not impossible. J.P. Morgan, once barred from investment banking under the Glass-Steagall Act, bas taken almost 10 years to break into the business, but its strategy of developing ln-bouse taleot bas paid off royally. Eveo in merger and acquisitioo advisory work, viewed as the hardest nut to crack, it now ranks sixth in the US, according to Securities Data.

he European banks lack J.P. Morgan's strong US corporate client list, which is why it will be harder for them to break through the barrier. But they will certainly need to replicate J.P. Morgan's staying power.

In theory they should be better placed to take a long-term strategic view about eotering the US market. US bankers often say tbey eovy the ability of continental European banks - unfettered by active sharebolders demanding short-term returns - to take losses over many years when entering new markets.

Yet one reason for the continental Europeans' enthusiasm for the investment banking business is their desire to boost their notoriously low return on capital - iess than 10 per cent in many cases. The last thing they want is to see those returns further depressed by heavy investment and poor performance in the

The investment banking business is notoriously volatile: next time the market turns down, the European banks might find further iosses hard to stomach after years of pouring money into winning market share.

But the top US investment banks cannot afford to be complacent. Some of the leading Wall ple. Drexel Burnham Lambert. which created the junk bond market of the 1980s almost singlehandediy, has collapsed while other former bulge bracket firms. such as Dillon Read, have seen tbeir glory fade. A bear market could be the

opportunity the Europeans need to make their decisive thrust, if it reveals some chinks in the armour of today's apparently unassailabie bouses.

hat do you give a top executive at a US investment bank who is responsible for a busines sector such as equities or mergers and acquisitions and earns several million dollars a year? The answer for some

European banks is more. Deutsche Morgan Grenfell and other aggressive European poachers have offered to double some recruits'

### **Executive stocking-fillers** packages, and to guarantee earnings for a fixed term of

two or three years, regardles of performance. Some have also promised an all-cash bonus instead of the more traditional bonus paid partly in shares to tie executives' interests to the company's. But the real high-flyers get

extra stocking-fillers. Mr Frank Quattrone, the M&A specialist who left Morgan Stanley for Deutsche Morgan Grenfell, has virtually been given his own business, running a group that advises high-technology companies, many of which are coming to the market for the first time. As well as a pay rise

to bump up the \$5m a year he was reportedly earning at Morgan Stanley, he will enjoy a

profit-sharing deal. Deutsche Morgan Grenfell also recruited Mr Edson Mitchell, the fixed-income supremo from Merrill Lynch. Both men brought many of their staff with them.

UBS, meanwhile, poached Mr Richard Barrett, head of financial institutions at Salomon Brothers.

This has lrked competitors

by helping drive up already heady remuneration levels. "Wa don't believe Deutsche Morgan Grenfell will ever ba able to establish a business which will sustain the salaries they are committed to paying," says ona senior investment

# OBSERVER

### The split is infinite

it looks like the decade long plans to reform the German language and make it more user-friendly might be running aground. In July a deal was struck between the culture ministers of Germany's 16 Lander and representatives from German-speaking countries such as Austria and Romania to .... simplify the language by, for example, reducing the number of spelling rules.

Now some leading German writers, including Ginter Grass and Siegfried Lenz, have woken up to the implications. At the Frankfort book fair they vented their anger, saying the reform was too expensive, confusing and prejudicial to the language. Lenz has even demanded a referendum. Meanwhile all sorts of politicians have been sounding off in the Bild Zeitung. Germany's most widely read paper, about the "laughable"

They have a point. When Germany is being told it must go through beit-tightening constraints on all fronts, in order to meet the single currency criteria, can it really afford to spend up to DM300m (\$200m) - the sum the Association of Publishers of Schoolbooks rackons the reform

# Noble cause

Elenty of gritted teeth around Oxford University's tvy-clad cloisters following news that James Mirriees, professor of political economy at rival Cambridge, carried off half this year's Nobel Prize for News of the £350,000 wmdfall .

put the Cambridge public relations machine into overdrive; vice-chancellor Alec Broers was moved to claim the prize endorsed "the intellectual breadth and determisciplinarity. of his university. Oxford's sormess is because

Mirriees has hardly been at Cambridge long enough to find the senior combination room. Worse he did almost all of his work at Oxford - his lectures were said by weary students to be rather hard going - where he brainstormed from 1969 until his move to Cambridge just last year. OK, he did get his PhD from Cambridge in 1963 but, given the 32-year interregnum it's a bit rich to claim credit for the professor's latest triumph.

**Eternal verities** M.F. Hussain, India's most celebrated contemporary artist.

He's upset police in Mumbai (formerly known as Bombay) with his depiction in a magazine of the Hindn goddess of learning, Saraswati: she was rendered nude. Mombai is ruled by a rather strict Hindu nationalist outfit, which has slapped obscenity charges on Hussain. If prosecuted and found guilty, he

could face jail.

All of which makes an unfortunate backdrop to this week's Sotheby sale of Hussain's depiction of another goddess, Machuri Dixit, the voluntuous star of Bollywood - or should that be Mollywood these days? There can be no correlation, of course, but the Dixit painting, part of 158 works of assorted Indian artists on sale, failed to most its reserve price.

Neither low prices nor the threat of prison dismay Hussaln: What is obscene in art and what is not . . . is an eternal debate" he told an Asian newspaper. Though presumably he'll have to make his mind up before he meets the judge.

### Penalty shot:

"There's only one team in Tallton" sang 500 Scottish football fans yesterday. For once they were right - Estonia forfeited its World Cup qualifying match by not showing up, giving Scotland a technical The farce occurred because

kick-off time was advanced several hours by football's governing body, Fifa, which alleged poor floodlighting at tha picturesque Kadriorg Stadium. This upset the Estonians - not only was there no team, no ooe sold or checked tickets. Even more daft, all the

motions were gone through: though the playing of the national anthems was dispensed with, the Scotland team and match officials lined up and staged a formal kick-off. The Tartan Army then roared

"get into them" and "we only play when it's daylight", as the referee ended the all-too-brief game. This triumph was followed by a free-for-all as kilted and unkilted Scots enjoyed a kick-about on an international pitch.

Still, Scottish fans could at last revel in a match where the goalkeeper really did dominate

### Word for the top

■ Contrasting the self-awarded fortunes of some US executive with the fate of their downsized employees. Texan political columnist Jim Hightower concludes: "That's why so many people now spell BOSS backwards . . . Double-S.O.B."

### 100 years ago The Indian Grain Riots

Allahabad: Referring to the recent grain riots in the Central Province, the "Pioneer" observes that little information has leaked out on tha subject, but it all points distinctly to a prearranged conspiracy in which well-to-do persons were implicated. "The emeute," it continues, "seems to show a lawless instinct which, if not widsly spread, is strong enough to draw many when an excuse for plunder presents itself. It is not difficult to conjecture the result if the people had arms and ammunition, when organised rioting occurs at the same moment in several towns and villages of a large province."

### 50 years ago Replacing German Exports

British producers should not fail to take advantage of the present opportunity to supply the Netherlands with goods which were previously obtained from Germany, said Dr. A.B. Speekenbrink, Director General for Foreign Economic Relations in the Netherlands Ministry for Economic Affairs. He was speaking at the annual luncheon of the Netherlands Chamber of Commerce in London, and said that his country shared in the desire to restore Anglo-Dutch trade.

# FINANCIAL TIMES

Thursday October 10 1996



London and Dublin condemn Lisburn attack

# IRA 'using tactics of Nazis' says Irish PM

By John Murray Brown in Dublin and John Kampiner in Bournemouth

Mr John Bruton, the Irisb prime minister, yesterday launched a blistering assault on the IRA, accusing republicans of using the tactics of the Nazis, and engaging in a cynical betrayal of the Northern Ireland peace process.

Ecboing an unprecedented cborus of national disapproval of Monday's IRA bombing in Lisburn, Northern Ireland, Mr Bruton rounded on republicans, even citing the words of a loyalist politician to underscore his charge that the IRA had betrayed the Irish people. "David Ervine [leader of the Progressive Unionists] is right. These bombers and their supporters also betray the ideals of the great Irishman. Wolfe Tooe who wanted to unite Catholic, Protestant and Dissenter," be said.

closed ranks in condemnation

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**Telecoms** 

Continued from Page 1

of 4.3 per cent.

of the bombing at the British Army's Northern Ireland bead-quarters which left 31 injured. one critically. The two governments yesterday reaffirmed their support for the talks process, stressing an agreement between Ulster's constitutional parties on decommisaioning arms could still move into aubstantive negotiations on three strands, dealing with relations within Northern Ireland, relations within the island of Ireland and between Ireland

and the UK. Iriab officials repeated the need for an IRA ceasfire. But Sir Patrick Mayhew, the Northern Ireland aecretary, appeared to hint that the UK government might be reconsidering the terms under which Sinn Fein - the IRA pobtical wing - could be allowed into the all party talks.

He refused to say "never and forever." but conceded that the bombing had "made it barder London and Dublin bave [for Sinn Féin] to convince the rest of us that they'll be sitting

there truly on democratic and peaceful terms." Ministers said that while they had not officially altered the criteria for Sinn Féin's participation in the multi-party talks, the suggestion by the party's president, Mr Gerry Adams, that the bomb was a "warning" to both governments ranked as an admission that the party was involved in the attack.

Mr David Trimble, the Ulster Unionist party leader, said it was "inconceivabla" that Sinn Féin be allowed to take part, urging tha government to "redirect the political process, refocusing it on the constitutional parties to the exclusion of Sinn Fém."

Mr Mitchel McLaughlin. Sinn Féin chairman, said the British government's inaction during 18 months of the IRA ceasefire, had bolstered the position of hardliners in the republican movement

Editorial comment, Page 17

# Israel warned by Jordan that peace treaty is in danger

The changes of allegiance took the industry by surprise, although RWE's failure to King Hussein of Jordan has conclude a deal with Viag and BT bad spurred rumours that the talks were in trouble. The sbake-np leaves BT in a

considerably weaker position in Europe's largest market. Yesterday BT brushed off the setback and said it would sustain its alliance with Viag, which will bid for Germany's fourth mobile phone licence next week. Viag also indicated it might bring its telecoms network into the new Vebasend an envoy to Amman. RWE joint venture, thereby

could transmit telecoms services over all Germany's electricity grids. Talks between RWE and BT collapsed because the German group was not convinced that BT was seriously committed to the German market, RWE its Arab neighbours.

BT said it had decided the talks bad no future because RWE was committed to establisbing separate fixed wire and mobile phone operations, which, BT said, would have called for snbstantial new investment in infrastructure to attack the domestic market.

It also brushed off criticisms that it had failed to tell RWE about its deal last week in France with Compagnie Générale des Eaux on the grounds the talks were confidential.

**Europe today** Tha British Isles will be dry with sunny spells. Western

with occasional light rain or drizzle. The Benalux and

northern Germany will have

Scotland will be cloudy

Awsat that Israel under Mr

told Israel its peace treatles with Egypt and Jordan are in danger unless it fulfils its international commitments to the Palestinians under the 1993 Oslo accords. The warning, from tha Arab

leader who has moved closest to Israel since the Middle East peace process began five years ago, prompted Mr Benjamin Netanyahu, the Israeli Prime minister, to convene an emergency meeting of his inner cabinet yesterday, and seek to

President Hosni Mubarak of Egypt has questioned Israel's treaties with Egypt and Jordan. The treaties, signed in 1979 and 1994 respectively, are the only secure achievements of half a century of attempts at agreement between Israel and

King Hussein's remarks came as a broad Jordanian coalition - a grouping of the kingdom's 21 political parties with business and professional associations and trade unions - was last night meeting to call for an end to "normalisation". They want a freeze on diplomatic and commercial links with Israel, and a review of the peace treaty if Israel fails to reach terms with the

Palestinians. The king told the Saudiowned newspaper As-Sharq al-

Netanyahu was retreating to "a siege mentality", unleashing "fury bordering on despair" in the Arab world.

Ha expressed anger that Jordan had not been not informed about last month's opening of an archaeological tunnel near Moslem holy sites in Jerusatem - the spark for four days of fighting between Israeli troops and Palestinian security forces across the West Bank and Gaza Strip. The opening went ahead only hours after Mr Dore Gold, Mr Netanyahn's chief advlser, had been received in Amman.

King Hussein has tained discreet contacts with Mr Netanyahu for two years. After his election in May on a platform decrying the "landfor-peace" basis of the peace process, the king argued that the untried Israeli premier

needed time. King Hussein attended last week's Middle East summit in Washington, while President Mubarak declined President Bill Clinton's invitation. The king is understood to have told Mr Clinton he could not sustain peace with Israel in current circumstances.

Fear that Palestinian tensions in the West Bank could boil over into Jordan is palpable in Amman, the scene of a civil war with Mr Yassir Arafat's Palestine Liberation Organisation in 1970-71.

### Beijing warns Tokyo in row over islands

By Tony Walker in Beijing and John Ridding in Hong Kong

China yesterday warned Japan It was provoking a "confronta-tion" over disputed islands in the East China Sea.

Beiling used the pages of the official China Daily newspaper to launch its most pointed attack on Tokyo since the row over the uninhabited territory flared about two months ago. In Hong Kong, demonstrators demanding the return of islands from Japan to China broke into the Japanese consulate, prompting a warning from Mr Chris Patten, governor of Hong Kong, that the

ritory'a image. "What sort of message do we send to the international community if the sort of lawlessness which has been reported today is reported around the world?" he asked.

protests could damage the ter-

Mr Patten said he recognised the strength of feelings on the issue, but stressed that protests must remain within the law. "It's the law and the rule of law which are the backbooe of a free society like Hong Kong," he said.

The governor also suggested he was prepared to consider protection for the Japanese consulate. China said on Tuesday that its de facto embassy in Hong Kong had received a threatening letter from Japa-

nese right wing groups. China and Taiwan have been united in their outrage against Japan over what is regarded as Tokyo'a tacit encouragement of ultra nationalists who have built structures on the islands, known as the Diaoyus to China and the Senkakus to Japan, to reinforce Japanese

claims to sovereignty. China's bitter criticism of Japan reflects Beiling's concern over a resurgence of Japanese militarism. The China Daily accused Japan of "turning a deaf ear" to "war victimcountries in the Pacific and said Tokyo's refusal to acknowledge fully its responsibility for wartime atrocities could harm relations.

China has been angered by recent visits of leading Japanese politicians, including Mr Ryutaro Hashimoto, the prime minister, to a shrine for war

dead. In a positive gesture towards Taiwan, China yesterday appeared to offer an olive branch to Taipei with a call by Mr Tang Shubei, vice chairman of the Association for Relations Across the Taiwan Straits, for a resumption of negotiations on "terms accept-

able to both sides". Beijing broke off talks last year in protest at a visit to the US by Mr Lee Tenghui, Taiwan's president.

### THE LEX COLUMN

# German exchange

Who has won from the latest reshuffle in German telecoms alliances? Veba and Cable and Wireless look more powerful now that RWE has joined their pact; while British Telecommunications and Viag look weaker without their erstwhile ally. But sheer clout will not count as much in telecoms as it has in the past. Competing effectively against soon-to-be-privatised Deutsche Telekom will require innovative strategles. On this score, the BT/Viag alliance probably has the edge.

Veha/RWE/C&W are planning the classic route of sinking vast sums of money into basic infrastructure. That was the path followed with little success by Mercury Communications in the UK. The multi-headed alliance has also come up with a confused structure, consisting of a "network" company and a "ser-vices" company. That sounds fine in theory, until one realises that the services company will own the venture's mobile and cable television networks. Is it surprising that C&W was licking its lips at the prospect of receiving DM450m in exchange for cutting its stake in the alliance?

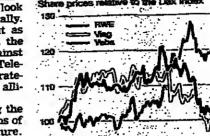
BT and Viag. by contrast, seem to have a smarter approach. Not only do they want to create a single network capable of carrying both mobile and fixed calls; they will try to rent as much basic infrastructure as possible, concentrating their investment on clever applications and good service. Of course, having a clear strategy is not enough; BT/ Viag will now have to show they can implement it.

### New Holland

New Holland, the agricultural equipment company being floated off by Fiat, should plough a fertile furrow for investors. After a dry spell in the 1980s, rising farm incomes have led to buoyant demand for tractors and combine harvesters. New Holland is one of the world's top four manufacturers, behind John Deere of the US but ahead of its other American rivals Case and Agoo, with leading market shares in Europe and emerging markets.

Rationalisation of the workforce and dealer network since its 1991 formation has raised operating margins to over 10 per cent. And at around 17 per cent, its debt to marthan that of both Deere and Case. Despite that, New Holland is being sold at a discount to its peers. The

T-SE Eurotrack 200: 810,8 (+3.6) Share prices relative to the Dax Index



around \$3.2bn, giving an enterprise value which is below 5 times next year's cashflow. This compares with 7.5 times for Deere and around 6 times for Case and Agco.

There are two concerns. The first is the agricultural equipment market's pedestrian annual growth of 4 per cent. Developing countries are expanding faster, but can be volatile, as this year's slump in Brazil shows. Against that, New Holland with its strong balance sheet looks ideally placed to mop up second tier manufacturers. More of a concern, perhaps, is that Fiat's retention of a majority stake rules ont a bid. But New Holland was never much of a target given its high market shares and the offer's modest pricing should ensure its success

### UK economy

Mr Kenneth Clarke, the UK's Chancellor of the Exchequer, will get greater comfort from the Institute for Fiscal Studies' so-called Green Budget than he has from recent chats with the Bank of England. The minutes of his latest meeting with Mr Eddia George, the Bank's governor, show the interest rate debate shifting from whether to cut - Mr Clarke's favoured approach - back to when to raise. And while Mr Clarke must be expected to resist rate rises in the lead-up to an election, pressure is building. By contrast, the IFS's expecta-

tions of more robust economic tor. growth make the government's borket capitalisation ratio is lower rowing forecasts look positively conservative. So long as the government can achieve lts ambitiously \$1bn offer values the group at gests more booty to hand out to the

electorate in its November budge The IFS expects Mr Clarke unveil £3hn of income tax cuts, a that is probably the current conse sus. But as the IFS argues, th does not make it right. The gover ment's spending forecasts look s ficiently implausible that it wou be irresponsible to give away to proceeds in advance. Given the like ihood that the next governme will receive a hefty future bill i November's promised hand-on-the gilts market would come und pressure. Of course, the governme will be more worried about the ele torate than the City, so Mr Clar. will struggle to resist pressure f these cuts. But they will make f even less comfortable meetin. with the Bank.

### Northern Ireland

Ethnic politics is the enemy business. Over the past two yes there were grounds for hoping th Northern Ireland had shaken off th fatal embrace of its tribal warrior Now these hopes lie in tatters. Li had anyway been seeping from th peace process since February who the IRA set off a bomb in Londo Yesterday's denunciation of the IR as fascists by Mr John Bruton, ti Irish prime minister, was simp confirmation of the deep fractur in the peace process.

The short-term economic impa will be muted - the business cyc moves more slowly than changes the political mood - though touris will be an early casualty. The totist authority expects a 25 per ce fall in tourism this year after a . per cent rise last year. But the bi gest effect will be intangible terms of opportunities foregon Companies do not close factorio because of bombs, but they me refrain from building new ones, I' investors have historically pr ferred the south to the north in th ratio of 5:1. There now seems littchance of the gap's being narrowe at this week's investment confe ence in Pittsburgh, Prospects fe joint marketing of the island wi also lessen if the south seeks : reassert its distance from the nort. Moreover, the resurgence of Sec rity concerns will bolster the region's already bloated public se

Conflict does not preclu growth, but only peace will alk the region to realise its potential

Energy, Page

This announcement appears as a matter of record only. August 1996



### United Cinemas International Multiplex B.V. £240,000,000

**Multiple Currency Revolving Credit Facility** 

Lead Arranger Bank of America International Limited

The Bank of Nova Scotia

Senior Lead Managers Bank of America NT&SA Banque Nationale de Paris The Fuji Bank, Limited The Sumitomo Bank, Limited

The Bank of Nova Scotia Bayerische Vereinsbank AG The Industrial Bank of Japan, Limited The Toronto-Dominion Bank

Lead Managers Bank of Montreal

Co-Arranger

The Long-Term Credit Bank of Japan, Limited

Kredietbank Project Finance Westdeutsche Landesbank Girozentrale London Branch

Managers

The Bank of New York The Dai-Ichi Kangyo Bank, Limited The Mitsubishi Trust and Banking Corporation

CIBC Wood Gundy plc Lloyds Bank Pic

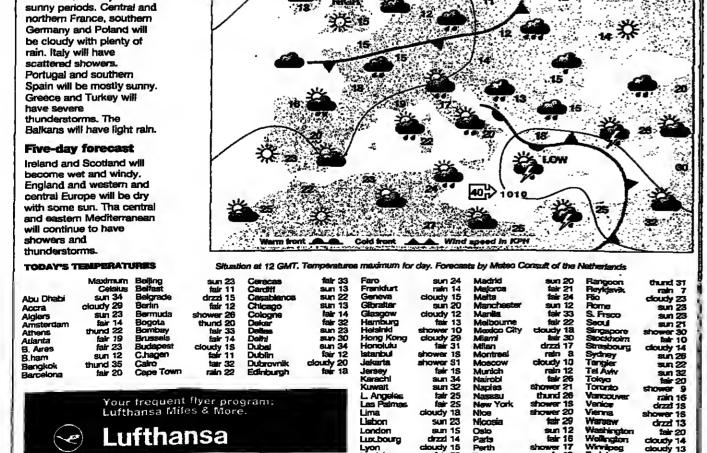
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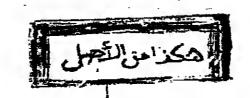
BankBoston The Sakura Bank, Limited

**Facility and Security Agent** Bank of America International Limited

**Bank of America** 



FT WEATHER GUIDE



**PRINTERS** FAX MACHINES

Thursday October 10 1996

."Do what no one has done before."

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UK rail

group in

bond deal

### IN BRIEF

### Inchcape sells **Stesting** unit

Charterhouse Development Capital and Bankers

Charterhouse Development Capital and Bankers

Trust are planning a ground-breaking £120m US Trust are planning their £380m purchased by the part-finance their £380m purchased to part-finance their £38 bonn issue Testing Services (FIS) from the state of the cape, agreed yesterday, Although such issues the state of the cape, agreed yesterday, Although such issues the state of the cape, agreed yesterday, Although to be the first state of the state of t bond issue to part-finance their £380m purchase Cape, agreed yesterday, the stand continental European deals, this is thought to be the first time a UK venture capital deal has been financed using cash from the bond markets.

Page 27

Rome to unveil Banco di Napoli plans this week for competitive bids for up to 60 per cent plans than the largest finance di Napoli, the largest finance di Napoli plans di Napoli, the largest finance di Napoli plans di Napoli plans

The Italian Treasury is due to unveil plans the week for competitive bids for up to 60 per cent week for competitive bids for up to 60 per cent financial for its stake in Banco di Napoli, the largest financial institution in the south, which has incurred of its stake in Banco di Napoli, the largest management of its stake in Banco di Napol ing of the leading political parties - vital for ing of the leading political partial which has anything concerning an institution which has been the key vehicle of political influence in the been the key vehicle of political influence in the region. The privatisation is directly linked to a L2,000bn (\$1.2bn) capital injection from the Treasury. Page 20

Aliders faces £1.5m liability

Aliders faces £1.5m liability

Aliders faces £1.5m liability

Aliders faces £1.5m in compensation to option holders following the decision by Mr Kenneth Clarke, the chancellor, to scrap tax benefits on some special dividend schemes. The group said yesterday it would abendon plans for a 15-for-19 share consolidation which was to accompany its £50m special dividend to shareholders. It said the conspecial dividend to shareholders. It said the conspecial dividend to shareholders. special dividend to shareholders. It said the consolidation would jeopardise the tax relief available. solidation would jeopardise the tax rener able to some shareholders on the planned special dividend of 46p per share. The special cial dividend of 46p per share. The special payment follows the sale this year of Aliders' duty free business to Swissair for £160m.

Lloyds Chemists bid battle to resume The battle for Lloyds Chemists is set to resume later this month after the drugstore chain yesterday said it expected the government to terday said it expected the government approve undertakings made by UniChem and approve undertakings made by Chichen Gene to allow their mos w in cooks and "We Ward, Lloyds' managing director, said: "We Ward, Lioyus managing uncertain will meet with approval and expect them to be in e posiwith approval and expect 18." Page 26

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# Amoco abandons E Europe plan

By Christopher Parkes in Los Angeles and Christopher Bobinski in Warsaw

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Amoco, the US energy group, is to abandon plans for an international petrol station network based in central Europe.

efforts would in future be focused on the "tremendous opportunities" in the Americas, including Mexico, "which is as new to us as central

Pulling out less than a year after construction started, with only four stations opened the Chicago-based company said expected growth opportunities had not devel-

by the looming restructuring of the US refining and marketing sector, highlighted this week by the proposed pooling of \$10hn-worth of assets by Texaco, Shell Oil and Aramco.

This plan, aimed at countering the impact of falling refining margins - and which imitates a similar link hetween British Petroand 14 others under way in leum and Mobil in Europe - is involved. Poland, Bulgaria and Romania, expected to lead to widespread

When it announced its first foray into retailing outside the Americas in June last year, Amoco said it planned to spend \$270m over 10 years in Poland and 60 each in Bulgeria and Romanie. It also outlined ambitions to expand into China, Russia and

Ms Anna Catalano, vicepresident for international husiness development, said the group believed there were still good opportunities in central Europe, where many western oil groups are deeply

"But the rest of the interna-

UAP posts Crédit Lyonnais calls for FFr12bn

oped at the pace needed for the brand to work well," she said.

heavy commitments to upfront capital spending and Amoco had decided the money would be better spent elsewhere, she said.

China was a good example of a highly-regulated country where free market development had not occurred as quickly as expected.

Amoco's oil exploration ventures in central Europe and Chinese projects such as development of a liquefied petroleum gas plant and a refinery

The group's sole Russian petrol station, located outside Moscow, would remain

insisted withdrawal from the central European petrol market, the first such move by a leading international concern, did not reflect any disappointment with results so

International operations in other regions had not worked out as planned, the group said. The company hoped to sell the existing units and those under construction as a going coocern, according to Ms Cata-

### By Conner Middelmann and Motoko Rich in London Stagecoach, the rapidly expanding hus and rail group,

on assets

yesterday became the first publicly quoted company in the UK to fund a large acquisition hy transforming corporate deht into bonds for sale to international investors. The £545m (\$852.3m) bond transaction - known as a

securitisation - provides e further hoost to the fastgrowing market for UK assetbacked securities. It will finance Stagecoach's recent purchase of Porterbrook Leasing, the rolling-stock

The bonds will be secured on lease payments due to Porterbrook from UK train operating companies (TOCs). Ahout 80 per cent of these payments are backed by the UK government, to cover the possibility that TOCs default on payments. This makes the bonds low risk to investors.

Securitisation is a way for financial institutions or companies to remove assets from their balance sheets, freeing np capital and diversifying funding sources. Principal and interest payments on the secu-rities are funded by the cashflows generated by the assets.

The Stagecoach offering follows Tuesday's £904m securitisation by financial institutions of rental income from former UK Ministry of Defence properties. which has similar government backing. "The asset base for securitis-

atlon bas widened significantly from traditional assets like residential mortgage loans, and this trend is set to continue," said Ms Caroline Philips, associate director of asset securitisation at Nat-West Markets, which is about to securitise \$5bn of National Westminster Bank corporate

tion, arranged in seven tranches by the Union Bank of Switzerland, will refinance an acquisition facility the groop set up in August to buy Porterbrook, and provide an addi-tional £25m in funding. Stagecoach will pay an average Interest rate of 7.4 per cent on the bonds.

Analysts welcomed the funding package, describing it as "innovative" and "cheap financing". But Stagecoach shares eased 41/2p to 573p.

### oped as quickly as had been International marketing and brand development required The strategy switch may Other company officials also have been prompted opening 150 petrol stations

It said yesterday retailing

7% rise in

first-half

By Andrew Jack in Paris

UAP, the French insurance

group, yesterday claimed the

results of its restructuring

were bearing fruit as it

reported net profits up 7 per cent to FFr860m (\$167m) for

the first six months of the

Mr Jacques Friedmann,

chairman, said the group

should make e similar profit

in the second half. This should

lead to full-year net profits of

FFr1.7bn, Last year, it made a loss of FFr2.05bn. Yesterday's

results were above expecta-

tions and the shares closed up

Mr Jacques Friedmann, chairman, said: "The message

to our shareholders is that the

factors that depressed our

results are either dealt with or

efforts to deal with them are

well engaged. The first-half

results show that we are on

He said the group's expo-

sure to the depressed property sector - which had cost UAP

been largely resolved, with

These included transactions

with the US Whitehall fund,

which triggered a loss during

the first six months of

FFr289m - to be compensated

by the proceeds during tha

second half of the year. UAP

also wrote down the value of

its remaining property invest-

FFr4.6hn, and are expected to

being placed in Naw York.

effective management of

assets and liabilities, and a

Mr Friedmann played down recent speculation suggesting UAP was likely to be subject

to a takeover bid, saying he

was likely "to be the last to be

informed" but that no discus-

sions were under way for a

He added that the group's

stake in Banque Nationale de

Paris - currently at 15 per

friendly alliance.

eternity".

reduction in group debt.

some important asset sales.

the right path."

market trends.

1.8% per cent at FFr108.9.

profits

Mr Jean Peyrelsvade, chairman of Crédit Lyonnais,

yesterday increased his esti-

mate of the state cash injec-

tion needed for his troubled

French bank. He said privati-

sation would not occur until

mid-1998 at the earliest - later

Mr Peyrelevade said in an

interview his company would

need a casb injection of FFr12bn (\$2.3hn) to strengthen

the balance sheet. That is an

increase on the FFr8bn-FFr9bn

he said was needed last week.

prepare the bank for privatisa-

tion or a trade sale to interna-

tional investors, said Mr Peyre-

levade. "I would not mind if

we ended up with one or sev-

eral non-French European

shareholders. I sometimes

think that would be better

Privatisation would not occur before mid-1998 "and

even that would be quick", he

said. He had previously indi-

cated it might taka place

within 18 months.

Mr Peyrelevade's comments

came as Mr Jean Arthuis, the

French finance and economics

minister, told the National

Assembly his priority was to privatise Credit Lyonnais as

than a big French investor."

The injection would belp

than expected.

Mexico.

Jean Peyrelevade, chairman, pictured yesterday: 'I would not mind if we ended up with one or

The cash injection should raise the group's tier one capilosses would reduce the comtal ratio from 4.5 per cent to 6 pany's capital, but also cut its per cent, making it more

"The [FFri2bn] capital injecattractiva to investors, said Mr tion will cover the losses on Pevrelevade. Last week he said the disposals and the need to he wanted to raise the ratio to increase the tier one ratio," be The increase in the size of said. Analysts bad been conthe capital injection will help cerned that losses on the discover losses the group will posals would increase the size have to book on the disposal of of the capital injection to as

Mr Peyrelevade also warned

visions for rationalising the domestic retail business. Provisions of FFrl.3bn in the first half would cover two-thirds of rationalisation costs. But a further charge would be required in the second half. This would cover cost-cutting until 1998,

be said. In an effort to improve the domestic network's profitability the group would cut 200 branches - about 10 per cent by the end of 1998.

The headcount, would fall a further 5,000. He aimed to cut costs between 1 per cent and 2 per cent e year. The French business was

breaking even, but the situation was deteriorating because of intense competition. Plans were in band to increase income. He refused to give a target for the cost-income ratio, which he said was 81 per cent, well above French and international averages.

### ments by 5 per cent to reflect Crédit Lyonnais' European much as FFr20bn. Total asset sales during the Mr Peyrelevade said the there would be additional profirst balf of the year were rise to FFr6.1bn for the full **Blockbuster to** year. This should include the sale of a 30 per cent stake in Scor, the French reinsurance group, which is currently oring placed in Naw York. Other challenges which the chairman said were now being chairman said were now being addressed included the more of video chain

By Christopher Parkes In Los Angeles

5.5 per cent.

Blockbuster Entertainment is to prune its US music retailing business by 10 per cent, cut operating costs and speed expansion of its video rental stores at bome and abroad, according to Mr Bill Fields,

5.000-plus internetional chain

of video rental shops by up to

850 a year with 450-600 opening

entertainment and media

group, paid an undisclosed

sum for Ireland's Xtra-vision,

which operates 217 video retail

and rental outlets. The chain

is operating in 28 countries

outside the US, including nine

Mr Flelds also unveiled

plans to test a new retailing

concept. The group had bought

a stake in PC Upgrades, a

small specialist supplier of

equipment for computer own-

ers who want to improve their

If the trial proved successful,

machines' performance or

memory capacity.

annually in the US.

in Europe.

cent – was a long-term strate-gic investment justified by tha He told an analysts' meeting to expect an unspecified writecommercial links between the two groups, and there were no off from the 50 closures, but current plans to reduce it, but reassured his audience the husiness would at least match the level was not fixed "for their cash flow estimates of \$2.2hn this year. Mr Friedmann maintained He also aimed to increase

his objective for UAP to annual cash flow growth to achieve a return on equity of 10 per cent by 2000, although 15-20 per cent. the latest results still only Mr. Fields, a former executive et Wal-Mart, the biggest gave the group a return of retailer in the US, said he about 5 per cent. He said his priorities were would continue to expand the

to develop UAP as a European group, broadening its activities into health insurance and pensions as governments progressively withdrew. improved financial asset management, a diversification of its network and increased productivity measures.

UAP's turnover rose 7 per cent to FFr86.4bn. Net income from life activities rose to FFr1.1bn, np from FFr804m, while non-life fell from FFr970m to FFr949m, partly as a result of changes in the way the results were consolidated. The restructuring also caused the costs of the holding company to rise sharply from Ffr422m to FFr776m.

Provisions against doubtful property loans stood at 69 per cent, leaving FFr1.1bn of doubtful loans out of a total he suggested the business could replace more of the net portfolio of FFr2.3bn.

group's music stores. Analysts at the presentation, many critical of Blockbuster's past strat egy, said Mr Fields, who joined in March, aimed to transform Blockhuster into a network of local entertainment stores providing music, video, services and, increasingly, technical products Most criticism of the busi-

ness has focused on its vulnerability to fast-changing tech nologies which will soon provide video-on-demand via cable and satellite television services offering 200 channels and more. Mr Fields also announced

plans for economies by buying videos and recorded music direct from studios, and confirmed speculation that the company may shortly move out of its Florida headquarters Although the chain is a con-

sistent cash-generator, its expansion policies have made it a heavy consumer of capital This week, Blockbuster, a and it does little to enhance subsidiary of Viacom, the the overall performance of its debt-laden parent. Viacom has spent \$18.5bn in

the past three years on buying Blockbuster and Paramount Studios. Its image bas also been tarnished by boardroom strife which peaked this year with the sudden dismissal of Mr Frank Biondi, chief execu-Criticism has tailed off

lately. Debt has been reduced by the sale of Viacom's cable television interests to Tele-Communications Inc. A clutch of radio stations is also seen as a likely candidate for sale, and disposal of the music retailing side is still considered possi-

### TODAY'S DESKTOP. **TOMORROW'S** TECHNOLOGY. The Elonex Low Profile Desktop PC is a deceptively sliming machine. Less than 11cm deep, it already exceeds the internal capacity of many bulkier computers. Better still, it has been built with fast-changing thip technology in mind, it accepts all Intel's Pentium (P) Pro processors and will handle tomorrow's even faster and hotter CPUs. Upgrading has never been easier - with simple two-screw access and a standard-size motherboard, the Bonex PC-6200H/I has been designed to let you take maximum advantage of new developments, as they happen. And while you're warting for technology to catch up, you'll have some impressive features as standard and a flexible range of configurations to choose from. All in an elegant desktop THE ELONEX PC-6200H/I 200MHz Pentium Pro processor with 256FB L2 cache 32MB EDO RAM (expandable to 256MB) Dual PCI EIDE Mode 4 controlle Up to 5 expansion slots (2 v PCL 2 v ISA, 1 v PCI/ISA). 64-bit PCI graphics accelerator (2MB video RAM as standard) 15-inch non-interlaced SVGA monitor Keyboard and Microsoft mouse Pre-loaded with Windows NT™ Work station 4.0 12 months extendible on-site maintenance (Ut. mainland only Access to unhimited technical support. £1,395 (£1,639.13 inc.VAT) Official of the program is the first of the properties of the program of the prog

### COMPANIES AND FINANCE: EUROPE

# Rome to unveil plans for Banco di Napoli

By Robert Graham in Rome

The Italian treasury is due to unveil plans this week for competi-tive bids for up to 60 per cent of its stake in Banco di Napoli, the largest financial institution in the south, which has incurred record

The plan is reported to have the blessing of the leading political parties - vital for anything concerning an institution which has been the key vehicle of political influence in the region.

linked to a L2,000bn (\$1.3bn) capital ing 50 northern branches) and staff of L10,000bn to L12,000bn will be injection from the treasury which is in the process of being completed. The treasury also hopes to tie-up the sale by December 20. In this way the government believes it can head off any objections from Brussels' competition authorities.

Pressure from Brussels in July forced the treasury to abandon an initial rescue plan for Banco di Napoli. This envisaged inviting other banks to help bail out the Neapolitan bank, one of Italy's oldest, converting loans to equity, pro-The privatisation is directly ceeding with assets sales (includ-

Until now, only Ambrosiano Veneto, the increasingly aggressive northern bank, has publicly confirmed an interest. But in the banking community Banca Commerciale Italiana is also said to be considering a bid.

Banco di Napoli incurred losses of L3,115bn in 1995 and this year's first-half results showed a further pre-tax loss of L674bn. However, prospective buyers should inherit a clean balance sheet since bad loans

cuts while leaving privatisation hived off to Reviban, a special company guaranteed by the state.

The crisis has seen a 25 per cent year-on-year fall in both deposits and credits. However, the bank retains a strong market share, accounting for 18 per cent of all deposits and loans in southern ltaly excluding Sicily. Even including Sicily, where the troubled Banco di Sicilia has a strong presence, Banco di Napoli still has a 14 per cent ehare. No other Italian bank has more than 4 per cent of this market.

The treasury currently owns 13 per cent of the bank and more than 70 per cent is in the hands of Banco di Napoli's foundation. However, the treasury is expected to acquire close to 100 per cent as a result of the L2,283bn capital increase approved by shareholders in July. The capital comes in the form of L283bn from state funds under a special banking provision while the remainder is underwritten by the treasury. Subscription only closed on Tuesday and it is too early to gauge the exact size of the new treasury stake.

### EUROPEAN NEWS DIGEST

# **CLF** investors approve merger

Shareholders in Crédit Local de France, the specialist banking group, yesterday approved by more than 95 per cent the proposed merger with Credit Communal de Belgique. Mr Pierre Richard, chairman, said the new group - to be called Dexia - should report a net profit c more than FFr3bn (\$581m) for 1996, and there would be special dividend to Credit Local de France investors of FFr17 a share ahead of the combination.

The vote came in spite of criticism from some individual shareholders, including attacks on the propo to nominate to the board Mr Gérard Worms, former hea of the Suez group, who helped advise Credit Local de Andrew Jack, Pa France on its merger.

### Swissair, Sabena in cargo deal

Swissair and Sabena, the Belgian airline, plan to consolidate their cargo sales and distribution operations into a single unit. Swissair said. Details of the plan are

being worked out by a joint working group.
Swissair said that as of January 1 it would take over marketing responsibility for Sabena's cargo operations. Swissair expects the collaboration on cargo to boost bot carriers' combined cargo capacity by 25 per cent to 2bn tonne-kilometres from Swissair's current capacity of 1.6: tonnes and Sabena's 350m tonnes.

### Peugeot buys Faure stake

PSA Peugeot-Citroën, the French carmaker, has in effecbought a substantial minority stake in Bertrand Faure, the third-largest French automotive components group, a move that continues the trend towards consolidation i the industry. In a complex deal announced yesterday. ECIA, the components and scooter company 67 per cent owned by Peugeot, has acquired 75 per cent of Financier Michel Thierry, a holding company whose chief asset is 17.3 per cent holding in Bertrand Faure. Meanwhile. Trèves, another components group specialising in interitrimmings, has acquired the remaining 25 per cent of Financière Michel Thierry. The transaction, which will make ECIA, in association with Treves. Bertrand Faure largest shareholder, values Financière Michel Thierry at FFr578m (\$114m).

### Analysts upgrade Argentaria Earnings estimates for Argentaria, the Spanish bank, in

1996 and 1997 are being upgraded after its agreement wil ICO, Spain's credit agency, which allows it to refinance Pta578bn (\$4.49bn) of loans at lower interest rates. analysts said. They said the ICO agreement would reduc the bank's funding costs by about Pta30bn by 2004, with the refinanced instruments carrying an average interest rate of about 8.5 per cent, compared with 10.16 per cent under the previous arrangement. Mr Ignacio Cornejo, of Beta Capital, said he planned to raise his forecast for 199 earnings by 3-4 per cent to about Pta70bn, and for 1997 by more than 4 per cent to Pta75bn. Mr Cornejo bas also raised his target price for Argentaria's stock from Pta5.40

### Stock split at Lufthansa

Lufthansa, the German airline, said it would implement a 10-for-one stock split today, reducing the value of its shares from DM50 to a nominal DM5. At the same time, the company is converting its preference shares into common shares. The company has 2.66m preference shares with a nominal value of DM133m (\$89.8m).

AFX News, Frankful

Andre Ingli

### Enel may enter telecoms

# a licence to become Italy's third mobile operator.

Mr Chicco Testa, chairman of Enel. Italy's state-owned power company, said it was studying the possibility of entering the telecommunications sector and could bid for

# Big contenders regroup for telecoms battle

RWE's link-up with the rival Veba-C&W team reflects a new realism in the German arena

most lucrative telemarket, and the target for a raft of organisations hoping to profit from the dismantling of Deutsche Teiekom's monopoly after January 1

Foremost among the contenders have been the big industrial and utility groups: Viag, which formed a partnership last year with British Telecommunications, had hoped to cement a fur-ther deal with RWE, Veba's telecoms arm, Vebacom. included Cable and Wireless

Yesterday, bowever, the picture changed dramatic-ally. Most remarkably, Veba and RWE, two of Germany's biggest companies and fiercest rivals, decided to pool their resources in the fight to prise business from Deutsche Telekom, which is to be cash flows and extensive partially privatised next

Essentially, RWE decided it no longer wanted to ally itself with the Viag-BT tie-up, and switched its allegiance to the Veba and C&W camp, paying a net DM2.5bn (\$1.6bn) together with its telecoms assets for a big stake in the venture.

ted to be worth about Deutsche Telekom have had DM7bn-DM8bn. It will com- to scale back expectations ever, are left without signifi- pointed out. prise three companies: a strategy group in which Veba and RWE will each have 40 per cent stakes, and

ermany is Europe's company; and a eervices company. It will therefore be communications one of the first large European telecoms operators in which network operations and the prospect of earnings from carrying other operators, traffic - has been

> international portfolio of fixed-wire and mobile phone interests, is expected to provide much of the technologi-

The realignment had a depressing effect on the group's rivals. Viag's share price moved down sharply yesterday. Another conglomerate hoping for a share of the German telecoms market. Thyssen, saw its shares move down as investors took stock of the new position. Just 18 months ago, Veba

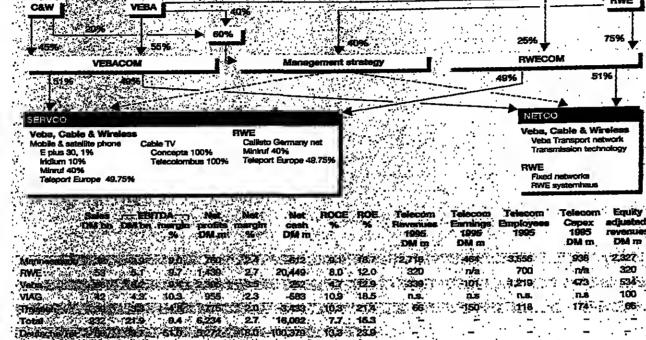
and RWE were determined that, blessed with strong resources they, of all German companies, would be able to go it alone and separately in a fully liberalised telecoms market.

That they have now joined forces underlines, perhaps more clearly than any other recent development in the German telecoms market, how dramatically companies The joint venture is expec- wanting to compete with AT&T in the other. over the past 18 months

divorced from services.

C&W, which has a broad cal leadership.

"At the beginning of last year, the private operators were still thinking in terms C&W, 20 per cent; a network of a break-even on their tele- ner for the Veba/RWE team,



coms activities in 2001," said one RWE executive. "Now they expect that to happen in about 2003. That alone underlines how much the expectations have had to be adjusted."

Although five companies announced telecoms ambitions early last year, analysts warned there was room for only two large consortia with the economies of scale and resources to take on Deutsche Telekom, Europe's largest operator and one of the most profitable. Exactly how those consor-

tia will look is now clear. Veba, RWE and C&W in one corner will square off against Mannesmann and Thyssen and Viag. how-

cant footholds coms market. On the one hand, Thyssen would seem a potential part-

given that it and Veba each hold a 30.1 per cent stake in E-Plus, Germany's third mobile phone network. Veba and RWE have said, however, that their brand new alliance is not open to out-

re: FBC, company andousts and ansula reports

r Dieter Vogel, Thyssen chief executive, is in a quandary. He raised DM1bn iast year by selling a stake in the group's telecoms subsidiary to investors, promising attractive returns in the telecoms business. Alone, however, he will find it difficult to deliver those returns. While Veba may have the money to buy Thyssen out of E-Plus, the equation does not work in reverse, one analyst

may well bring its telecoms electricity grid of the Bay-

attractive options still open. new infrastructure company being created by RWE and Veba, arguing that there is likely to be a surplus of network capacity in Germany

anyway. Together with BT, it will also next week apply for Germany's fourth mobile phone licence. With new technology, the Anglo-Bavarian alliance hopes to create a network which can service mobile and fixed network clients simultaneously, thereby stealing a march on other operators which still have separate services.

For BT, which has been the most active of European operators in forming European partnerships and alliances, the withdrawal of RWE from its partnership lines the value of the price with Viag is "a hiccup rather we paid and halves our than a blow", it says

It is in negotiations with other potential partners. Analysts pointed out, how-

ever, that there are few

Irish funds

Mr Stephen Pettit, C&W executive director, Europe and mobile, said: "This is a good deal for C&W. It under-

C&W, on the other hand.

whose international strategy

has frequently been ques-tioned, will benefit from the

The price RWE is paying is based on what it paid for its

stake in Vebacom, underpin-ning the integrity of that

transaction. It will hold only

22.5 per cent of the new

group rather than 45 per

cent of Vebacom, but that

translates in a smaller stake

in a larger, stronger com-

pany. It will have manage-

ment and technological

new alignment

2,327

Michael Lindemann and Alan Cane

# Bouygues may raise \$160m by floating 40% of offshore unit

Bouygues, the French construction group, is to float a 40 per cent stake in its Bouygues Offshore oil and gas contracting unit.

Bouygues Offshore said yesterday it had filed a registration statement with the US Securities and Exchange Commission for a global initial public offering of 6.8m shares of its common stock. About 4.08m shares would be offered in the US and Canada and the remaining 2.72m in other countries.

Shares would be soid in the form of American Depositary Shares, with each ADS representing half of one share, and shares. The company has announced an indi-

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The fuli exercise of an underwriter's over-allotment option to purchase up to 1.02m additional shares would result in the proportion of the company's out-standing sbares held by the public rising to 46 per cent. Lehman Brothers is acting

as giobal co-ordinator of the offering. It is also one of the managing underwriters of the North American offering, along with Credit Lyonnais Securities (USA), Prudential Securities and Simmons &

Company International. Lead managers of ths international offering are

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\$10.75 and \$12.75 per ADS, or tional (Europe). Crédit Lyon-FFr111-FFr131 per share. nais, Banque Nationale de Paris and HSBC Investment Bank.

> The company said a registration statement relating to the shares had been filed with the SEC but had not yet become effective. The securities could not be sold. and offers to buy them could not be accepted, until it did.

Bouygues said earlier this week that the unit would be floated on the French and US markets in early November. In 1995, Bouygues Offshore contributed FFr186m (\$36m) to overall group profits on turnover of FFr3.39bn. In figures published in June, turnover was projected to fall to FFr3.1bn in 1996.

 made after Bouygues shares closed in Paris down FFr1 at FFr484 - came a day after the group reported a sharp deterioration in its first-half performance, posting a net loss of FFr146m compared with a profit of FFr97m a year earlier.

The company attributed the downturn principally to a "considerable increase" in sonal losses from its road building activities, but said full-year profits from road-building would be comparable to last year. It had also taken into account FFr60m of losses on the launch of its mobile telecoms operations. Without these two factors, first-half profits would have totalled FFr329m.

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to P5.28.
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Exchange Commission has
set the record date of the said

100% stock dividend on October 9, 1996 with September 30, 1996 as the Ex-Dividend

Record Date.

This Notice is being given pursuant to Condition 6(c)

and 15 of the Terms and Con-ditions of the Bonds.

Dated: October 10, 1996

Cayman Islands)

### industry grows 65% in year By John Murray Brown

Dublin's offshore funds industry expanded 65 per

cent in the past year, making it the fastest growing centre in the European Union and one of the fastest in the world, according to figures published this week. A survey by funds consultants Fitzrovia International shows that the assets held by Dublin's international financial services industry rose from \$20bn to \$33.1bn in the 12 months to Septem-

The results are striking evidence of the success of Dublin, which has attracted more than 400 client companies in areas such as funds, banking services and insurance, lured by a 10 per cent tax regime, the availability of low cost labour, strong legal and accountancy support, and Ireland'e network of 27 tax treaties.

The findings come amid reports that Citibank is poised to relocate its Euro-pean back office operation to Dublin, creating 700 jobs and making it the largest operation in the financial services centre.

Dublin has already overtaken both the Channel Islands and the Isle of Man as a funds domicile. Because of its lower labour costs and the absence of net asset tax. Dublin is now attracting funds which might otherwise have based in Luxembourg, still the largest EU centre with close to \$350bn under management. The number of funds

increased 18 per cent, from 612 to 723. The bulk of the growth thus comes from existing funds, underlining the "significant economies of ecale" available to the sponeors, the banks and institutions which provide the administration, and custodial services

# Telefónica sale sparks a battle among the banks s the curtain goes up Spanish institutions argue that

on the first large privatisation by Mr José María Aznar's centreright government, a highly political behind-the-scenes battle is being fought that the Aznar government with could decisively shape the scope and content of government disposals in Spain.

Thirty domestic and international banks yesterday entered their bids for advisory and co-ordinating roles in the sale of the 21.1 per cent of state-owned equity, valued at some Pta469.1bn (\$3.7bn), in Telefonica, the telecoms operator. The sale is scheduled for January or February next year.

The bids were delivered to Sepp, the finance ministry's portfolio company which controls the state-owned equity in the telecoms group, and the mandates are likely to be awarded before the end of this month.

At issue is what propor-tion of the offer ehould be directed at domestic shareholders and institutions. Senior executives of Spanish broking houses, which are linked to the main domestic banks, argue that the Telefónica placement should usher in a new privatisation strategy that would significantly weight disposals

towards the Spanish market. When the state, under the previous socialist government, soid 11 per cent of Telefónica in October last year, reducing its stake from 32 per cent to 21 per cent, 49 per cent of the disposal was offered to international institutions. The retail tranche represented 43 per cent of the total offered, and the remaining 8 per cent was acquired by domestic institu-

The big Spanish banking groups are lobbying for an entirely different offer structure in the forthcoming Telefónica disposal, which would represent a quantum leap for the domestic market

coms privatisation presents bold strategy. The offer price

the disposal should be used to promote 'people's capitalism'

a unique opportunity to promote "people's capitalism" on the lines of the UK government in the mid-1980s, when British Telecom, British Gas and British Airways were sold off.

In the past the Spanish government has raised a maximum of Pta400bn in a single year from privatisations, and income of Pta450bn from disposals has been written into the government's 1997 budget.

The privatisation strategy outlined by the big banks suggests that a total of Pta1,000bn could be raised next year from sales of government-owned equity, if the disposals were firmly directed at the domestic market, which would absorb 80 per cent of the privatisa-

Their bullishness is based on two principles: • The impact of the government's changes to the capital gains tax on earnings from the stock market. The new rulings abolish tax on the first Pta200,000 earned in a fiscal year from the mar-ket, and place a single 20 per cent tax on subsequent earnings. Under previous guide-lines, earnings from the stock market were treated as

per cent. ● The fall in interest rates and inflation. This will encourage the fast-growing domestic institutional funds to invest in equities rather than in fixed income. At resent, less than 5 per cent of domestic funde under management is invested on

income tax and subject to

the top marginal rate of 56

the stock market. Telefónica, a blue chip which has provided good shareholder value, is viewed They argue that the tele- as the ideal test case for this

for the retail tranche in the disposal a year ago wa: Ptal,615, and the shares cur

rently trade at abou-

The retail tranche of last year's offer was eight times oversubscribed, and a total of 550,000 Spanish retail investors acquired Telefonica shares.

Under the strategy drawn up by the domestic banks, the total number of inves tors in the retail tranche could top im in the forthcoming Telefónica sale.

he strategy is contested by interna-tional banks, who have traditionally acted r advisers and global co-oronators of Spanish privatisations. They suggest that by promoting "people's capital-ism", the Spanish banks are merely seeking to keep the privatisetion business to

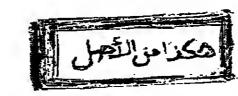
"There is absolutely no basis for arguing that the retail tranche of a Spanish placement could be dou-bled," says the chief executive in Spain of a big US investment bank. "The security of a placement depends on a foreign and domestic mix, and international institutione are necessary to stabilise the after-

market." Spanish banks disegree saying that the flush of pri-vatisations - especially in the telecommunications sector, where Telefónica will tap the markets after Deut sche Telekom but ahead France Telecom, Italy'e Stat and KPN of the Netherlands - makes the strength of the domestic market the most important factor in the

success of the planned

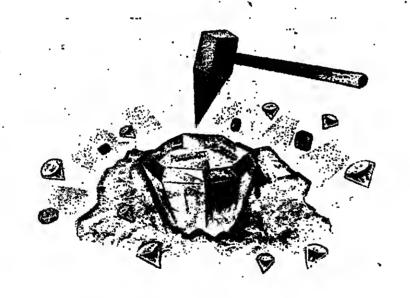
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### COMPANIES AND FINANCE: EUROPE

# Cimpor pricing may hit demand, brokers warn

By Peter Wise in Lisbon

Demand for a global offering of 45 per cent of Cimpor. Portugal's biggest cement company, could fall below expectations if excessive optimism drives the government to set too high a price on the shares, brokers have

Although still in the preregistration stage, retail demand for the offering, worth Es123bn (\$796m) at current prices, is a record five times greater than the 16m shares on sale in the domestic tranche.

Demand for 18.96m shares being sold directly to international institutional inves-tors through a bookbuilding system is also strong, with banks reporting demand for 14m shares from Portuguese institutions alone

As the roadshow promo-

ting the Cimpor sale, due to be completed on October 15. moves from Europe to the US, bankers are hoping for an even bigger success than a record-hreaking offering of Portugal Telecom in June.

"The offer will be a tre-mendous success if it is priced at about Es3,100 a share," a London broker said. "But the top quality institutions will fall away if the government decides to sell at Es3,200 or above." The shares closed yesterday at

Most comparative analyses of Cimpor value the group at about Es3,800 a share. "Institutional investors are looking for an upside of about 20 per cent, and are not prepared to pay much above Es3,100 a share," the broker said. "This is an extremely price-sensitive

By pricing the offer at about Es3.100, analysts believe the government would avoid the risk of Cimpor's share price falling after the sale, and also create a

"feel-good factor" for future Portuguese privatisations. Cimpor, which accounts for about 60 per cent of cement sales in Portugal, has responded to concern over the group's high level

of excess cash by announc-ing plans to invest Es150bn -Es200bn over the next five years on the acquisition of production plants in North Africa or Latin America. This would increase the contribution of overseas

plants from 20 to 50 per cent of total sales, and raise total

-1.5

1.0

-3.0

annual capacity from 6.1m utility, in the country's bigtonnes to about 13m tonnes. Portugal's next scheduled

privatisation is an offer of 13.2 per cent of Banco Totta e Açores, a leading bank, by the end of 1996, followed in the first half of 1997 by a global offering of 25-30 per cent of Electricidade de Portugal, the national power

gest sell-off.

Based mainly on the sales of Portngal Telecom and Cimpor, the two biggest companies listed on the Lisbon stock exchange, the government has increased its estimate of privatisation revenue in 1996, from Es380bn to Es450bn.

### Leading cement manufacturers

	Enterprise	value/sales	Enterp	rise value	/EBIT
	1995	1996	1995	1996	1997
Lafarge	1,17	1.16	8.8	9.4	8.7
Ciments Français	1.43	1.48	9.9	10.a	10.3
Hisaba	1.22	1.28	8.0	8.7	8.6
Valderrivas	2.08	2.08	7.6	7.9	7.4
Cimpor	2.15	2.04	9.4	8.8	7.7.
Semapa	2.41	2.27	9.4	8.1	7.6
Holderbank	1.57	1.23	11.7	11.4	10.6
Blue Circle	1.45	1.41	10.5	9.8	B.8

# Metra held back by weakness at engines unit

**3.a** 

By Hugh Carnegy in Stockholm

Metra, the Finnish industrial group, disappointed markets yesterday when it reported a marginal rise in profits in the first eight months of the year, held back by losses at its main diesel-engine making division.

Metra shares dipped FM6.50 on the day to close at FM268.50 in reaction to the company's statement that profits after financial items edged higher, from FM392m in the first eight months of last

below most analysts' expectations. Earnings per share rose from FM9.25 to FM8.65.

A mature western cement market

Wärtsilä Diesel performed worst. tumbling from a FM110m operating profit last time to a loss of FM48m. Metra last month announced plans to merge Wärtsilä with the marine diesel engine operations of the Italian state shipbuilder Fincantieri Cantieri Navali Italiana. The deal will create the world's biggest high-power diesel engines for ship-

two other main divisions, the bathroom maker Sanitec and Imatra Steel. Operating profits at Sanitec, one of the world's leaders in bathroom equipment, retreated from FM240m to FM213m, while Imatra Steel saw profits slip from FM87m to FM71m. Only a big jump in profits from finance and real estate operations kept group profits

However, Metra said group sales had risen strongly, from FM5.8bn huilding and electricity production. in the first eight months of last

orders were worth FM7.3hn, well ahead of a year ago.
It said the pattern at Wārtsilä

Diesel was for stronger performance in the last four months of the year. The unit had posted an operating profit of FM60m in the second four-month period this year, compared with a virtual break-even result in the same period last year. Orders in the first eight months jumped from FM4.2bn last time to FM5.1bn

year to FM6.6bn this year. New achieve full-year sales above orders were worth FM7.3hn, well FM8bn, almost double the level at the end of August and well ahead of the FM7bn reached last year. The division's full-year profits would be equivalent to last year's, when operating profits hit FM385m

With a strong year expected from Sanitec, which posted operating profits last year of FM325m, and non-recurring items ahead after disposals, Metra forecast group full-year profits after financial Metra said Wärtsilä should items above last year's FM795m.

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### EUROPEAN NEWS DIGEST

# Bloomberg begins forex deal system

alian in

Bloomberg, the financial information service, has stolen a march on its rival Reuters by launching a foreign exchange dealing system aimed at institutional investors. Bloomberg says the new system will cut down the time and cost of making foreign exchange transactions for corporate investors, such as fund managers and hedge

The service is being offered in the London market to clients which subscribe to Bloomberg's network of information terminals. It enables them to access a range of currency quotes from participating banks, and send orders direct to banks. The system will reduce the need for smaller investors to call around a number of banks for

foreign exchange prices.

So far, five banks - BankAmerica, Lloyds, BZW, SBC Warburg and NatWest - have signed up with Bloomberg, but several more were waiting in the wings, Bloomberg said. To use the service, investors will need to have

existing accounts with the banks involved. But not all the banks involved are happy with using the system. It could force banks to competitively cut their margins on currency transactions, and lose a chance for interaction with clients. The system was jointly developed by Bloomberg and banking information technology

company Cognotech. A London company, Currency Management Corporation, this week launched a system for executing foreign exchange deals over the Internet, aimed initially at wealthy individuals.

The Bloomberg system is aimed at smaller investors. naking transactions worth about \$1m-\$2m. Mr Richard Comotto, a foreign exchange industry analyst, said Bloomberg's system posed no threat to the larger markets. "The impact will be that the banks who use Bloomberg may capture foreign exchange husiness from investors who don't tend to deal in huge amounts," Mr

### Kymmene visits Repap mills

UPM-Kymmene, the big Finnish-based pulp and paper group, is one of several international companies showing interest in Repap Enterprises, the Canadian timber, pulp and coated paper producer. Kymmene, which this month said it was considering a New York Stock Exchange listing, has examined Repap's twin-machine coated paper mill in New Brunswick and its team is moving on to Repap's Wisconsin coated paper mill and Manitoba and British Columbia mills this week.

Repap said several other companies were also inspecting the mills, but would not identify them. The company is for sale or merger as a complete unit. Analysts say other companies interested include Champion, International Paper, Consolidated Papers and Weyerhauser from the US and Stora from Sweden. Robert Gibbens, Montrea

### Telekom shares in demand

Deutsche Telekom said more than 2.5m people had expressed interest in huying shares in the company when the first tranche is floated in November, Retail investors have until October 11 to register with the company's share information forum for special incentives including price discounts on shares purchased. The company said this week it has had to double the number of people working at the information forum, which is receiving an average of 70,000 calls an hour. AFX News AFX News, Bonn International, said it had lodged a complaint with the European Commission, calling for Deutsche Telekom to part with its fixed networks, in particular the local ones. Telit Deutschland competes with Deutsche Telekom in the German government h violated the EU treaty by transferring ownership of the fixed network to Deutsche Telekom, which dominates the

### NEC denies Olivetti interest

Olivetti shares rose early yesterday after NEC the Japanese electronics group, denied Italian press reports that it would be interested in buying Olivetti's ailing PC husiness. The shares reached L545 before closing up less

### Schroders in Polish role

government on a pre-privatisation strategy for Polskie Sieci Energetyczne, which runs the country's power grid The study, which is heing paid for hy the British government's know-how fund, is to be ready by the end of this year. The Polish government recently approved a privatisation programme for the electrical energy sector. Christopher Bobinski, Warsat

### BG Bank meets offer demand

BG Bank, Denmark's third largest bank, said it would supplement an over-subscribed offer of 3.4m ahares with 341,200 existing shares to meet demand. BG Bank and its advisers J. P. Morgan Securities had priced the shares at DKr226 after the offer, which opened on September 23. closed on Tuesday. BG Bank was created last autumn by the merger of the former state-owned Giro Bank and Bikuben, the savings bank. Over the past year BG Bank's shares have traded in a range of DKr179-DKr236 and closed on Tuesday at DKr228.

Hilary Barnes, Copenhagen

### KHD sells part of plant arm

Klöckner-Humboldt-Deutz, the German engineering group, yesterday said it had signed a letter of intent to sell part of its industrial plant business, the division which almost caused the entire KHD group to collapse earlier this year. The Cologne-based group said the sale of its Schmidt-Bretten subsidiary, with sales of about DM38m (\$25m), to American Precision Industries, a US company specialising in precision motors and electronic components, would be complete before the end of the Michael Lindemann, Bon

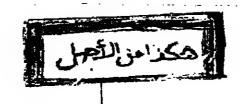
### Novo Nordisk in R&D deal

Novo Nordisk, the pharmaceuticals and enzymes group, has concluded an \$18m research agreement with Ontogo a California research company, which will receive an equity investment from the Danish company as well as milestone royalty payments. The companies will jointly develop compounds for use in the treatment or diagnosi of diabetes care, women's health and human growth, which are Novo Nordisk's core business areas. One of the compounds in which Novo Nordisk is interested may lead to the development of orally active drugs which can supplement insulin in diabetes care, Novo Nordisk said.

### EAC sells HK Carlsberg stake

The East Asiatic Company is to sell its 20 per cent stake in the Carlsberg Brewery in Hong Kong to the brewery's two other shareholders, Carlsberg and Swire Pacific. The sale will generate a significant extraordinary income for EAC this year. EAC also announced the sale of a moulded pulp packaging factory, Philmop, in the Philippines, to a Japanese buyer,

nts and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.





### COMPANIES AND FINANCE: ASIA-PACIFIC

# Australian insurers warned on banks' role

By Nikki Tait in Sydney

HURSDAY OCTOBER

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Australia'a general insurance tial client base" industry must face up to rationalisation as the big commercial banks move into a market that is already over-serviced. Standard & Poor's, the US ratings agency, has warned. S&P said in an industry review that it expected most of the big contents packages. banks to establish or purchase gen-

eral insurance subsidiaries so they ted entry into general insurance, likely to accept poor performance, ance and reinsurance, bas estabcould "leverage off their substan-

There are already signs of this operating efficiencies, which may apply for a life insurance licence, shore," S&P said. and the larger Westpac group looking at the marketing of home

the industry will need to redouble its efforts in expense savings and

given pressures at bome and opportunities abroad," S&P said.

Expansion into the growth mar-George Bank pursuing plans to and expansion of activities off- one possibility - a route which has already attracted a number of the As more insurers became part of larger companies. AMP Society, global groups, local operations may Australia's biggest life office, bas

lished operations scross the region. The US ratings agency suggested happening, with Sydney-based St encourage further consolidation kets of south-east Asia would be look remained satisfactory, with

the short-term underwriting outunderwriting cycles likely to be sborter and milder as more discipline became necessary in the face of a low-inflation environment, volontents packages.

be encouraged to become more dismoved into Indonesia, while QBE, atile investment returns and more dismoved into Indonesia, while QBE, atile investment returns and more which focuses on general insurrigorous accounting standards.

### delayed by a year Dragonair, the Hong Kong regional airline, is not

expected to be listed until the end of 1997, according to the carrier's sharebolders. The initial plan envisaged a stock market listing by the end of this year or early 1997. Citic Pacific, the China-backed conglomarete which is one of Dragonair's main sbareholders, said the new timing was linked to the fact that the carrier's 1996 profits would not truly reflect its earnings ability. Since a shareholder restructuring earber this year, Dragonair has added several new routes, including flights to Kaohsiung in Taiwan and Qingdao in China. Profits from these routes will not be fully reflected in the full-year 1996 results. According to Citic Pacific, the shareholder structure after flotation will not be affected by the delay. Its own stake will be trimmed from 28 per cent, while Cathay Pacific, the Hong Kong carrier, and Swire Pacific will bold a combined 20 per cent. CNAC, the commercial arm of the Chinese sviation suthority, will hold not less than 35 per cent of Dragonair's shares.

ASIA-PACIFIC NEWS DIGEST

**Dragonair listing** 

Citic Pacific said a decision on whether to issue new shares in Dragonair would not be taken before it was known wbether the airline required more funding for routes, and new aircraft. John Ridding, Hong Kong

### US bank reveals TNT stake

Bankers Trust, the US-based investment bank, yesterday revealed it had increased to 19.99 per cent its stake in TNT, the Australian transportation company which is the subject of a A\$2bn (US\$1.6bn) friendly bid from the Dutch KPN eroup.

The investment bank's Australian arm already held s 16.9 per cent stake in TNT before the KPN offer was announced last Wednesday. This had been built up over the past year, at prices well below the current offer price of A\$2.45 a sbare. Nikki Tait, Sydney

### Takeda Chemical approval

Takeda Chemical Industries, the Japanese drugs maker, bas won approval to use leuplin, its prostate cancer drug, for treatment of pre-menopausal breast cancer and uterine fibroids, benign tumours in the uterus. The new applications will add about Y700m (\$6.3m) in sales, raising Takeds's forecast for domestic sales of the drug to around Y23.5bn in the year to March 31 1997. AP-DJ, Tokyo

# Thai banks rebuild after excesses of the past

itting in his majestic all of the large commercial banks, he says, provisioning new headquarters over banks, he says, provisioning looking the Chao levels are healthy, capital Phraya river, Mr Banthoon adequacy is strong, loan-to-deposit ratios are comfortglad I got this building finished," the president of Thai Farmers Bank aays, because nobody is going to ing its regulatory tools.

build a building liks this in "But the economic slowbuild a building liks this in

Thailand for a long time." -thing. For all the building's chai says, noting that the splendour, it is also a symbol asset quality of loans made of past excesses by Thai two or three years ago is his banks - excesses reflected in main concern. "For too long this year's falling profit banks have been relying on growth, in rising levels of collateral rather than investbad debts and in historic low. ment atrategy, acting like returns on squity rates pawn shops." throughout the sector.

Constructing sturdisr, if less spectacular, houses is now the task. And in spite of a massive sell-off of banking sbares over the past faw days, the Thai banking system still has a firm base on which to build. .

"We are not looking at a crash," says Mr Thirachai Pbuvanatnarannbala, director of Financial Institutions Supervision and Develop-

able, exposure to the property sector has fallen, and the central bank is sharpen-

down will lead to some pain-That is probably a good ful adjustments," Mr Thira-

Analysts trying to determine profits for 1996 and 1997 mention two things: assst quality and margins.But both are in a state of flux. Projections of profit growth for 1997 range from S per cent to 20 per cent, The futurs of assst quality depends on when the economy picks up; but this no one can determine.

While capital positions for ths top six banks average ings estimates that cumula-tive provisions as a percentage of doubtful loans for the top nine banks sverages 200 per cent, talk of the need for rights issues in 1997 is making its way around the mar-

argins can be determined, but only after the fact. And the facts are changing. For the past few years, banks bave been padding their profits and margins with cheap overseas funds. New central bank regulations announced this week will lift the cost of foreign funds go up and put upward pressure on domestic deposit

The growth of foreign funds in the banking system "has been excessive", says Mr Thirachai. "If you want to grow loans you are going to have to grow your baht deposit base Some analysts say that for

the bigger banks, which have a large domestic deposit base and are net ment at the central bank. At 10.7 per cent and ING Bar-lenders of dollars, this may

ns City. n.a. 130 19.2 help, margins on baht loans bsing much higher than those on dollar loans. "But small banks are more vul-

nerable," says one analyst,

**Lending lines** 

noting their smaller deposit base, less diverse loan book and lower level of provision-So far, two strategies are servative banks, Bangkok applications more closely.

Yet others are oot so carewhile stocking up on

"Short-term profits are the dence with third-quarter least of our concerns," says

9 550 FF 7 7 7 7 130 7 7

Bangkok Bank executive vice-president Mr Satit Uthaisri says 1996 earnings growth sbould be about 8 per cent, after 13 per cent in

emerging. The two most con- ful. After an emergency meeting on Tuesday, Mr Bank and Thai Farmsrs Olarn Chaipravat, president Bank are scrutinising loan of Siam Commercial Bank. which has expanded assets aggressively this year while reserves and maintaining maintaining margins, capital ratios, pledged to shore up confi-

released an unaudited balance sheet showing net profit ahead 17 per cent quarter-on-quarter, end an

improvement on the 15 per

results better than expected.

Yesterdsy the bank

cent profit growth in the first half of the year. "But," said one fund manager, "that's no confidencebuilder. The banks should recognise there are problems and fix them. If not, they are only prolonging the pain."

Ted Bardacke

# Japanese TV loses cosy glow in digital world

### An onslaught of new media has awoken a protected industry

Japanese television viewers have long been restricted to a fairly uninspired staple of variety sbows, soap operas, sports programmes and historical dramas offered by large TV networks in s highly protected industry.

But with the arrival of digital TV, Japan's broadcasters are bracing themselves for fierce competition.

Lsst week, PerfecTV, Japan's first satellite, digital multi-channel service, began offering subscribers 70 channels of programmes ranging from movies to shopping and BBC World. Next year, it will be joined by JSkyB, a joint venture between News Corporation and Softbank, the Japanese software and publishing group, which plans to offer 100 digital channels through satellite. DirecTV, the US company, also plans to set up a multi-channel service.

The onslaught of digital TV is waking np Japan's established mercial TV broadcasters, wbo have operated in the cosy atmosphere of a highly exclusive club. Fsw Jspanese industries have been as protected and as profitable as television broadcasting. Five stations based in Tokyo provide the bulk of national programming, with an 89 per cent share of a market worth Y2,800bn (\$25.2bn) by sales, sccording to the Ministry of Posts and Telecommunications. Industry regulations havs restricted competition to NHK, the public broadcaster, and its two satellite channels; small, regionalised and fragmented cable TV operators; and one subscription satellite channel.

"The Japanese broadcasting industry has been a closed one until now," says i). Mr Hisashi Hieda, president of Fuji Television Network, one of the five main stations. As a result, none of the main broadcasters has made a loss

(JUST MY LUCK TO BE ON DUTY WHEN (EVERYBODY BUYS A SATELLITE DISH



casting, terrestrial commer-cial TV stations could see their share of the market slip to 67 per cent by 2010. the Ministry of Posts and Tslecommunications estimates. While the overall commercial TV market is expected to more than double by 2010, the commercial terrestrial broadcasting market is only forecast to grow 1.6 times. In contrast, the ministry believes cable TV could expand more than sixfold and satellite broadcasting more than seven-fold by that time.

A realignment of cable TV larger, stronger companies, capable of winning a larger share of the market

Meanwhile, satellite TV is expected to raise household. penetration from 20 per cent today to 85 per cent by 2010, including those receiving programmes satellite through cable TV, and to increase its market share from 3 per cent to 11 per cent over the same period. PerfecTV aims to sign up 1m households within three years. DirecTV and JSkyB are likely to come up with

similarly aggressive targets. "Japan's broadcasting industry is entering a historical transformation dne to digitalisation," says Mr Takeo Mutai, directorgeneral of the media planning and corporate development department at Nippon Television Network, one of

the main broadcasters. One unknown is whether there is sufficient demand for the wave of new pro-

With the start of gramming. "There is con-multi-channel digital broad- cern that there may not be enough demand: that going into satellite broadcasting will not be profitable enough and that there won't be enough software to supply the growing number of chan-nels," says Mr Hieda.

What the industry is certain of, however, is that the era in which five networks were able to share Japan's rich advertising pie - last year worth Y1,755.3bn, according to Dentsu, Jspan's largest advertising agency among themselves, is over. Competition for viewers will also intensify. "With an increasing number of chanoperators is leading to nels available, viewers should become very selective, (and) there will be a clear distinction between the winners and losers in this market," said Ms Nanako Sakaguchi, analyst at Klein-

wort Benson in Tokyo. This week saw the establishment of Discovery Japan, which offers documentary programmes produced by Discovery Communications, the US company that runs the largest channel of that type in the world.

Meanwhile, small production companies, which have dspended on the networks to buy their programmes, have a new market. In a bid not to lose out, broadcastsrs are brushing up on their own production skills. "Television is going to change," says Mr Hieda. "And unless terrestrial broadcasters change with it, they will lose out to other media."

Michiyo Nakamoto

# When bankers need a bank, where do they go?

GLOBAL CUSTODY Lacani Bruthers June 1996 Assets under custody US \$6000,000,000

& Bankers Trust

Innovation knows no boundaries. So when Lazard Brothers Asset Management concluded that they could better serve their clients' complex asset management needs by outsourcing the custody of their worldwide investment portfolios--they looked to us. Eliminating the need for an expensive in-house operation would allow them to focus on their core asset management business--what they do best. After completing an extensive evaluation, Lazard

Brothers Asset Management chose Bankers Trust as their global custodian. Why? To remain competitive they needed portfolio information in real time, across global markets--so that they had the information they needed, when they needed it. Keeping on top of the market and ahead of the competition. With a system tailored by market, Lazard Brothers Asset Management will benefit from the most technologically sophisticated and extensive global reporting available. Bankers Trust's investment in research and development, technological innovation, superior risk management skills, coupled with our global reach and local market knowledge, allow us to provide our clients with the competitive advantages they need to succeed. Which is as it should be, because for Lazard Brothers Asset Management clients, only the best has ever been good enough. We welcome the opportunity to discuss how we can develop equally innovative solutions to your financial challenges.

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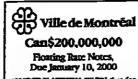
### THE GOVERNMENT HOUSING **BANK OF THAILAND**

U.S. Dollar 200,000,000 Guaranteed Floating Rate Notes due 2001 - WKN 134 228 -

In accordance with the Conditions of the Notes notice is hereby given that for the interest period October 4, 1995 to April 3, 1997 Included (182 days) the Notes will bear interest at the rate of 5.72656% per annum. The coupon amount per US\$1,000 Note will be US\$28.95, per US\$50,000 Note US\$1,447.55 end per US\$100,000 Note US\$2,895.09.

The Interest Payment Date will be April 4, 1997.

Deutsche Bank



NOTICE IS HEREBY GIVEN that for the interest Period 10th October, 1996 to 10th January, 1997, the interest rate will be 3.698% per

The Interest payable on 10th jamery, 1997 against Coupon No.8 will be Can\$9.45 per Can\$1,000 Note, Can\$94.50 per Can\$10,000 Note, and Can\$945.04 per Can\$100,000 Note. Bank of Montreal London

### COMPANIES AND FINANCE: THE AMERICAS

# Fiat announces details of New Holland float

By Haig Simonian, Motor Industry

Fiat, the Italian industrial group, is set to raise up to \$1.23bn from the sale of a minority stake in its New Holland farm and construction equipment subsidiary at tbe end of this month.

The company yesterday revealed it would float at least 31.2 per cent of New Holland at between \$30 and \$23 a share. Including the over-allotment option, the stake listed could rise to almost 36 per cent of New Holland's capital.

The proceeds of the deal, which will raise a minimum \$930m, will be used entirely by Fiat to lift Its 1996 results. pany said extraordinary income from asset sales and have in part reflected the the former Soviet Union.

other transactions would be used to ensure this year's net earnings remained in line with the L2,147bn (\$1.41bn) achieved in 1995, in spite of falling margins in the core cars business.

The flotation, which is expected go ahead on October 31 after final pricing the previous day, is one of the biggest cash-raising exercises by Fiat in recent years. It signifies a return to lts tendency to resort to asset sales to lift earnings at difficult times in the car market. In the early 1990s, Fiat embarked on a string of selloffs, including its big Rinascente stores chain, to bolster

profits. The group's decision

to float New Holland, which

has been painstakingly

assembled and turned round

over the past five years, may

to raise about L700bn, by injecting its chemicals and bio-medical activities into the complex merger of Gemina, an investment company, and the Ferruzzi Finanziaria holding group.

New Holland is one of the world's top three agricul-tural and construction equipment groups, with sales of \$5bn last year. That ranked It behind John Deere, but on a par with Case. New Holland is the only big producer not to be quoted. Unlike its US rivals, New Holland's business is broadly

America, Europe and the rest of the world. Its strength is in tractors: the company claims to bulld one in five of the world's tractors, excluding

divlded batween North



New Holland claims to build a fifth of the world's tractors

Since its creation in 1991 after Fiat's acquisition of Ford's farm equipment busialmost doubled sales. Earnings have swung from a loss Lex, Page 18

of \$448m that year to net profits of \$259m in 1995. In the first half of this year, net nesses, New Holland has profits reached \$161m, almost doubled sales. Earn- against \$173m last time.

# Change of culture sought at ADM

### Pressure for boardroom change has intensified, but few expect an easy victory

of Arcber Daniels Mid-L land, the large US grain processor currently under investigation by the US government for alleged pricefixing, will press for a stricter definition of the post of outside director at ADM's annual meeting next week in Decatur, Illinois.

All of the five shareholder proposals tabled for the October 17 meeting concern board composition or voting rules, despite a year-long effort by ADM to reform governance. Two powerful institutions

- the Florida State Board of Administration and the California Public Employees' Retirement System - want the majority of ADM's hoard to be independent directors. The board is currently dominated by people either related to Mr Dwayne Andreas, ADM's long-serving chairman, or close friends of

"These proxy issues, while substantive oo their own. are in a way a vote of no

confidence in the board," dent members to the board. says Mr Roland Machold, director of the New Jersey Division of Investment. which holds a \$60m stake in ADM. "The situation has all the appearances that they're trying to muddle through with the least amount of concessions possible while maintaining the maximum

amount of insider control." board committee appointed last year to respond to the price-fixing investigation recommended reducing the board from 17 members to 12 and imposed a mandatory retirement age of 70. Eight directors closely affiliated with Mr Andreas will leave this year.

However, some shareholders believe the reforms do oot go far enough. "Several important [shareholders] think ADM has just glossed over the problem," says Ms Shirley Westcott, senior analyst at Institutional Shareholder Services, a US shareholder rights group.

Sharebolders will he asked to add three new indepen-

However, dissenters say two of the nominees are hardly ontsiders: Ms Mollie Hale Carter, a daughter of a retiring director and niece of a continuing hoard member, and Mr John Block, a former US agriculture secretary, who serves on at least one agribusiness board with Mr

The FSBA and Calpers proposal wonld exclude anyone who is a relative of an ADM insider; has been an executive of the company or any of its affiliates in the past five years; has worked for a contractor or supplier of the company; has worked at an institution which has received funding from the company; or is an officer of a company on which ADM's Micbael. If Indicted, the chairman serves as a board

ADM says such a definition would severely limit its pool of qualified director in penalties. candidates, and is recom-mending a no vote. Few ADM's stock price under

pressure for a year, in spite expect the new board to be defeated. of a significant dividend increase, while 1996 earn-Mr Andreas's tight rule ings, at \$695.9m, were off has served the company well \$100m from 1995. for 20 years. However, it

"The question for shareappears that something in ADM's corporate culture bas holders is, is this company gone seriously wrong. The going to sin again? What controls are in place?" says company has already agreed to pay \$90m in damages to Mr Machold, of the New Jercustomers and shareholders sey Division of Investment. to settle three civil lawsuits "This is extremely imporrelated to price-fixing for tant, because so much of lysine and citric acid, animal what the company does is feed additives manufactured dependent on what the govby ADM. A fourth suit, by ernment does in the way of trade and farm subsidies." ADM's corn syrup custom-Yet even against such a

Lawyers helieve ADM sethackdrop, no-one who knows tled the civil suits in Mr Andreas expects him to be subdued at this year's advance of a plea-hargain with the US government on annual meeting. Last year, potential criminal charges the chalrman packed the against the company and meeting with cheering employees, refused to answer questions regarding two of its senior executives, including Mr Andreas's son, the government investigaexecutives could face fines of tion Clawyers bad advised \$350,000 each and three years against it; and silenced in prison, while the company unpleasant queries by could be asked to pay \$100m switching off offending

### US banks held back by one-off charges

By John Authers

Barnett Banks and First Bank System launched the third-quarter reporting season for US commercial banks yesterday with results which included heavy one-off charges incurred to recapitalise the Savings Association Insurance Fund (SAIF), which will bail ont the thrift

industry. Barnett, based in Florida, took a charge of 8 cents per share, limiting its net earn-ings to 65 cents, identical to the same quarter of 1995. Net income for the quarter totaUed \$127m, against \$134m last time.

Minnesota-based First Bank System took a charge of 22 cents per share after tax, to limit earnings to 98 cents against \$1.06 previously. Net income was \$137.5m, against \$145.7m.

The deal to recapitalise the SAIF followed months of negotiations in Congress, and hitterly divided the banking industry. It became law last month, and requires banks to contribute \$5.6bn, while those owning thrift deposits must pay a total of \$2.5bn. The thrift industry itself must contrib-

nte \$4.8bn. In the long term, the plan is to draw a line under the collapse of the savings and loan industry by amalgamating the thrift insurance fund with the much stronger banking insurance fund.

The charges bad heen expected, and shares in both Barnett and First Bank System remained broadly stable in early trading. Barnett's operating profit

for the first nine months was \$430m, up from \$395m. The bank managed to increase margins, with noninterest income np 7 per cent to \$194.9m and consumer finance income ahead by 30 per cent. First Bank saw operating

profits, before the insurance Laurie Morse fund charge, increase by AMERICAS NEWS DIGEST

### Chilean brewer in \$238m share issue

Compania de Cervecerias Unidas, a Chilean brewery, is planning a \$238m capital increase through the issue of new shares, some of which will be sold abroad as American Depositary Receipts. The company will hold a shareholders' meeting on October 24 to approve the increase, said the statement sent to the Securities Superintendency. CCU did not give details of how it would invest the funds. The Chilean Newspaper, El Diario, said the company might use the proceeds to take control of Ecusa, a local soft drinks producer, by buying the stake beld by Buenos Aires Embotelladorás (BAESA), the troubled Argentine bottler. In 1994, CCU agreed a joint venture with BAESA, Argentina's largest Pepsi bottler, which resulted in the formation of Ecusa to distribute Pepsi in Chile. Other plans could include investments in Peru, the newspaper said.

### Kmart to realign businesses

Kmart, the US retailer, plans to merge many of its Kmart Canada business functions into its US operations, in order to maximise efficiencies and support the operating and financial performance of its Canadian operations. Under the realignment, Kmart Canada's financial, systems, store operations and other administrative support functions will begin merging into Kmart's

headquarters in Troy, Michigan, this month and will be completed in 1997. Remaining functions in Kmart Canada's Brampton, Ontario, office will include executive management and merchandising functions. The realignment will result in a workforce reduction of

about 150 positions by the end of 1997 at Kmart Canada's AP-DJ, Michigan head office in Brampton.

### Delta takes \$20m charge

Delta Air Lines will record a \$20.3m non-operating charge for the settlement of a lawsuit with the American Society of Travel Agents in September. The company did not provide a per share estimate for the charge, but said it expected to report strong revenue results for the September quarter, in spite of unit costs that were slightly higher than previous estimates of 8.7 cents per available seat mile. The company attributed the higher costs to increased jet fuel prices, higher technology development expenses, and additional revenue-related Reuter, Atlanta

### **USAir plans low-cost flights**

USAir, the US airline in which British Airways has a 24.6 per cent stake, is in talks with its pilots' union over the creation of a low-cost operation between the Northeast and Florida that will compete with a similar service by Delta Air Lines and other "no-frills" carriers, according to media reports. The new service would probably be marketed under a separate name, similar to Delta Express, the low-cost version of Delta Air Lines launched this month, the reports said.

However, USAir must first get concessions from its unions to allow it to operate the new service. On September 20. the Air Line Pilots Association gave approval for formal talks with management. ALPA spokesman Mr David McLarney said USAir was considering a "no frills" operation. Typically these flights have no food service, and pilots and crew members are paid less but fly more hours.

# T&T makes early move to steal PCS competitors' thunder

mobile telephone rivals - and for its shareholders the assault did not come a moment too soon.

The US's higgest telephone carrier has spent much of this year being outflanked itself in its core business of long-distance calling. With companies such as MCI and Sprint expanding their business in this area twice as fast, Mr Bob Allen, AT&T chairman, has been thrust on to the defensive.

Mr Allen bas at last come out fighting. in the process, be has also fired the first shot in a battle for supremacy of the US wireless airwaves, just as a host of new tors prepare to enter the ers to as many as eight.

cbutzpah wbich has been In a well-hyped announce-

T&T moved last ment, the company presweek to outflank its eoted what it described as the very latest in mobile telephone technology something it described as

> This, though, is not the PCS for which the US telecommunications industry has been waiting. An abhreviation for Personal Communication Services, true PCS uses a high-frequency part of the radio band to transmit signals which, its supporters claim, give far clearer sound than cellular signals.

A wave of these PCS services will hit the US's biggest citles over the next 12 months, multiplying the number of mobile services available in esch market

AT&T's move displayed a gone into this opening up of the airwaves. Over the past singularly lacking recently. 18 months, telephone compa-

bined \$18bn for licences to bands. The other three are currently up for auction. The "Digital PCS". networks needed to carry PCS eignals are expected to cost as much again.

AT&T itself paid \$1.7bn for PCS licences, giving It the right to sell services in cities such as Chicago, Atlanta and Washington DC. However, its so-called "Digital PCS" launched last week has nothing to do with this: instead, it is a new brand for an upgraded, low-frequency cellular service.

his is more than a question of frequen-cies. By acting early – mobile telephone competi- from the current two carri- and brazenly laying a claim to the PCS name - AT&T A massive investment has has moved to steal its competitors' thunder.

It has also staked out its ground ahead of the coming nies have agreed to pay the mobile telephony battle. By AT&T," says Mr Bob Egen of

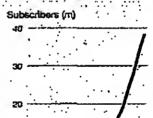
federal government a com- converting its cellular signal from analogue to digital, use three of the six PCS AT&T has been able to add a range of new services, including paging, e-mail and high-volume data transmission - services which will also be available through PCS services.

ers, is still pending,

"Customers really don't care about frequencies," said Mr Allen last week. "They care about services. Also, AT&T has launched

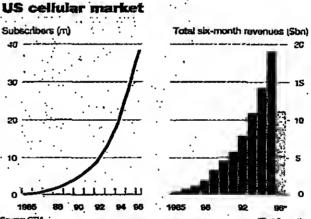
the new service with a flat charge of 60 cents a minute for "roaming" calls (those made outside a caller's local area). With roaming currently costing as much as 99 cents a minute, this marks the first shot in a price war that will bring down the cost of mobile telephony to a level where it becomes far more attractive to a mass market of private users.

"This was a really bold and aggressive move by



Gartner Group, a consul-

Rivals such as Sprint which, through a partnership with three cable TV companies, will be the biggest PCS operator - say "Digital PCS" will still fall short of true PCS in terms of technology and towards



sound quality. It will also lack other benefits that PCS supporters claim technology will bring, such as a signal that is more secure. However, AT&T has done

much to shift the focus of the coming battle away from

belped to protect its huge investment in the cellular business. It paid \$13bn to buy McCaw Cellular in 1994, and has sunk billions of dollars in upgrading its network to carry digital signals. The new digital signal and marketing ploy will counter rivals' attempts to depict cellular as a "sunset" industry. The switch to flat-rate charging also takes AT&T a step closer to the simplified pricing structure with which it hopes to sell "bundles" of services to its customers. Earlier this year came an Internet accese service priced at \$19.95 a month (it has attracted 400,000 customers so far). Last month, Ma Bell added a flat rate of 15 cents a minute on long-distance calls. Together with local calling and DirectTV, the satellite televi-

sion service in which AT&T

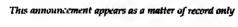
vice. in the process, it has

questions of price and ser- is a minority sharebolder, these represent a package of services that it plans to cross-sell to its customers.

obile telephony is likely to be a big part of the picture. Wireless communications revenues in the US grew about 30 per cent, to more than \$20bn, in the 12 months to end-June - before the advent of PCS. That compares with an annual growth rate of only about 7 per cent in the country's \$75bn

long-distance industry. Much will depend on how far wireless calling rates fall, and how fast - and how quickly the lower costs stimulate demand. In an industry which is growing quickly, however, AT&T's attempt to get out ahead of the competition is likely to put it in a strong position.

**Richard Waters** 





Фонд Российского Процветания

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### SIEMENS

(Securities Code 723 600, 723 604)

Call to exchange shares

On February 22, 1996 the Ordinary General Meeting of our company resolved to convert the entire share capital into ahares in the nominal amount of DM 5 each (formerly DM 50). The amendment to the Articles of Association was entered in the Commercial Register of the Charlottenburg District Court in Berlin on April 15, 1996 and in the Commercial Register of the District Court of North 18, 1996. District Court of Munich on April 18, 1996.

Shares hald in collective securities account and the stock exchange quotation of ordinary shares were adjusted accordingly on May 2, 1998. Through the reduction of the nominal value of shares, the old share certificates are no longer correct. Since new printed share certificates are now available, we would ask our shareholders to present their old share certificates with renewal coupons at the counters of the bank listed below during normal banking hours

from October 15, 1996 to January 15, 1997 inclusive in order to exchange them for shares of the same class in the nominal amount of DM 5 each:

S.G. Warburg & Co. Ltd., 1 Finsbury Avenue, London EC2M 2PF

of DM 5 each will be issued. After expiry of the above period, shares can only be presented to Deutscha Bank AG, Frankfurt am Main, which acts as principal exchange agent. The new share certificates in the nominal amount of DM 5 each show as their date of issue "Berlin and Murich, in April 1996" and come with a coupon sheet containing dividend coupons Nos. 41 to 60 and renewal coupon. For the ordinary shares, certificates will be issued for one share (DM 5), 10 shares (DM 50), 100 shares (DM 500) and 20,000

ir each old share in the nominal amount of DM 50, ten new shares in the nominal amount

shares (DM 100,000). If the shares are held by a bank, the exchange will be carried out without any special instructions on the part of the securities account holder, in this case, shareholders need not undertake any steps. The new share certificates will be provided free of commission and charges to shareholders. Custodian benks are requested to contact the above-mentioned exchange agent regarding the payment of commissions.

Berlin and Munich, October 1996

MALAYSIA

US\$650,000,000 Floating rate notes due 2005

In accordance with the

provisions of the notes, notice is hereby given that for the six months interest period from 10 October 1996 to 10 April 1997 the notes will carry an interest rate of 5.6875% per ann interest payable on 10 April 1997 will amount to US\$287.53 per US\$10.000 note and US\$7,188.37 per

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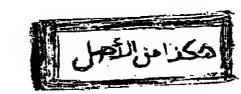
WARRANTS TO PURCHASE COMMON STOCK OF MINNESOTA MINING AND IANUFACTURING COMPANY ed in connection with \$5,000 changeable Units of Dart & Kraft Finance N.V. USS85,000,000 7 3/4% Guaranteed Deb Due 1998

NOTICE IS HEREBY GIVEN that, on June 18, 1996, the Board of Directors of Minne-sona Mining and Manufacturing Company ("3M") declared a dividend psyable to the hold-ers of record of 3M stock, no parvalue (the "3M Common Stock") at the clove of business on June 28, 1996 (the "Record Dair"), in the amount of one share of common stock, per value USS, 01 perchare, of imation Corp. (the "Imation Common Stock") for every fent shares of 3M Common Stock outstanding on the Record Date.

Pursuant to Section 7 of the Waynest and Escrow Agreement dated as of November 20, 1983 (the "Agreement") among Dart & Kraft Finance N.V., Kraft Foods, Inc., (formetly Dart Arrance N. V., Kraft Foods, Inc., (formerly Dart & Kraft, Inc.) (the "Guarantor"), and First Trust. of New York, National Association, assucces-O'New York, National Association, as aucose-sor Escrow Agent (the "Escrow Agent"), the Imation Common Stock has been sold by the

the remaining outstanding warrant chase 3M Common Stock (the "W nte to pur crises 3M Cotramon Stock (the "Warrants"), which were issued in connection with 85,000 Exchangeable Units of Dart & Kost Finance NLV. US\$85,000,000 734% Guaranteed Debentures Due 1889. Any Warrant exercised after the Record Date theil be entitled to receive US\$72,76, in addition to the 3M Common Stock for which such Warrant is exercised to Stock for which such Warrant is exercised to the such warrant in the such warrant is exercised to the such warrant is exercised to the such warrant in the such warrant is exercised to the such warrant in the such warrant is exercised to the such warrant in the such warrant is exercised to the such warrant in the such warrant is exercised to the such warrant in the such warrant is exercised to the such warrant in the such warrant is exercised to the such warrant in the such warrant is exercised to the such warrant in the such warrant in the such warrant is exercised to the such warrant in the such warrant in the such warrant is exercised to the such warrant in the such warrant is exercised to the such warrant in the such warrant in the such warrant is exercised to the such warrant in the such warrant in the such warrant in the such warrant in the such warrant warr

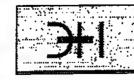
BY: DART & KRAFT FINANCE N.V.



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any things have been said about us. No doubt we asked for it. We've been doing the same job for 200 years: managing investments. And this longstanding experience has always been our pledge for the future. Can this reasonably be held against us?











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### COMPANIES AND FINANCE: UK

UniChem and Gehe expected to be in a position to re-bid this month

# Lloyds Chemists battle set to resume

By Christopher Price

The battle for Lloyds Chemists is set to resume later this month after the drug store chain yesterday said it expected the government to approve undertakings made by UniChem and Gehe to allow their bids to

Mr Michael Ward, Lloyds' managing director, said: "We believe the companies' sub-

missions will meet with maceutical wholesalers in approval and expect them to the UK, made their submisapproval and expect them to be in a position to re-bid by October 18." That was the deadline set by the depart. ment of trade and industry for Gebe, of Germany, and UniChem, of the UK, to provide heads of agreement to sell most of Lloyds' wholesale drugs distribution business to allow them to pursue their bids. UniChem and Gehe, the two largest phar-

sions to the DTI two weeks ago. Lloyds, keen to get the auction process restarted fol-lowing the referral to the monopolies and mergers commission in July, has also provided heads of agreement to sell the wholesale businesses. A decision from the DTI is expected shortly after

next week's deadline. Lloyds yesterday reported a 15 per cent decline in annual pre-tax profits to £47m, which it blamed on the distraction of the bid battle, in its ninth month.

The occasion was used by all three parties to continue takeover hostilities by proxy. Mr Ward said the results showed the company was in good shape, despite the summer's profits warn-

Gehe is keen to bid below

its last offer of £650m i cash, which lapsed on refere to the MMC. It questione Lloyds' margin performanc at its core retailing opera tion and the consequen

implication for valuation. The German group als took a swipe at its riva suitor: "If UniChem tried t repeat its final offer wit. Lloyds in its current state, would be even more heavil

### Dividend move hits Allders

By Peggy Hollinger

Allders, the UK retail group, may have to pay some £1.5m (\$2.34m) in compensation to option holders, following the decision by Mr Kenneth Clarke, chancellor, to scrap tax benefits on some special dividend schemes

The group said yesterday it would abandon plans for a 15-for-19 share consolidation which was to accompany its £50m special dividend to shareholders.

It said the consolidation would jeopardise the tax relief available to some shareholders. The special payment follows the sale earlier this year of Allders' dnty free business to Swissair for £160m.

Mr Harvey Lipsith, chief executive, who owns 250,000 options, said the company intended to compensate option holders fully. However, a decision on the method was not likely until the finance bill is published. Shareholders will be

asked at today's extraordinary meeting to reject the resolutions relating to the consolidation. If they are rejected, the company will reintroduce a proposal to pay the 48p dividend.

 Reuters yesterday adjourned the extraordinary meeting called to approve its innovative plan to issue special dividend shares, because of the chancellor's decision.

# Capital Re to acquire RGB

By Jim Kelly,

Corporate investment in Lloyd's of London continued at a rapid pace with tha announcement yesterday of two further acquisitions of managing agencies with combined syndicate capacity in excess of £170m.

Capital Re, the New Yorkbased reinsuranca group with assets of more than \$1bn, said preliminary agree-ment had been reached for the acquisition of the parent company of RGB Underwriting Agencies. RGB manages three syndicates with a 1996 underwriting capacity of more than £100m. Capital Re also plans to set up a corporate member at Lloyd's to

RESULTS

support underwriting on the syndicates. Mr Michael Satz, chairman

of Capital Re, said the company wanted to diversify into speciality products to maintain earnings growth and "a return on equity in the mid-teens". Capital Re's move fits a trend of US capital seeking growth in tha

Lloyd's market. Separately, CLM Underwriting, a subsidiary of CLM, the Lloyd's investment fund, has signed an agreement to acquire JH Chappell, a Lloyd's agency with an anticipated syndicate premium capacity for 1997 of £30m. It will pay £574,000 for Chappell through cash and redeemable preference slideways and blades for the shares in CLM Underwriting. UK and German markets.

# Eurovein back in the black

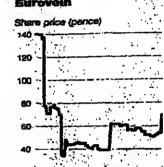
By John Hamilton

Eurovein shares rose 26 per cent after the specialist engineer moved back into the black with profits of £1.4m (\$2.2m) for the year to July 31, after incurring a loss of £1.2m last time.

Turnover was £39.4m (£32.6m) as the company recovered from operational problems and delayed equipment sales in 1995.

Operating profits at the surface treatment division were £1.5m (£200.000), benefiting from higher sales to east Asia and continental Europe.

The components division, which makes machine tool



howed operating profits o £1m (£604,000).

The filtration division based in France, trimmed losses by half to £121,000.

	Torogo	er (Em)		ne-tex Nt (Ext)	EP	S (p)	Current payment (p)	Date of payment	- Dividends · Corresponding dividend	Total for year	Total les year
Austin Reed	38.9	(36.3 )	2.28	(1.38)	4,9	(3)	2.25	Dec 2	2	-	6
BHB Resources 6 mile to June 30	56.3	(48.6 )	2.35	(1.77.)	6.9	(5.4)	24	Nov 29	2		6,4
CTR 3 miths to July 31	31.1	(37.9)	1.6♥	(5.BL.)	1.11	(5.2L )	-			•	£03
Country Casnais 6 mths to July 27	23,7	(22.8)	0.9181	(1.05)	3.07L	(3.47L )	1.7	Dec 16	1.41	•	5.41
Delaney	10.8	(9.56)	0.0831	(0.3961)	D.1L	(0.3L)	•	-		-	lan)
Etroveln Yr to July 31 >	39.4	(25.9)	1.384	(0.825(A)	19	(5.3L)	2	Jan 2	nit	3	0.51
Incents	6.63	(122)	1.07	(0.304LV)	0.62	(0.131, )	nd		SUE .		nii
lones &	49.4	(43.2)	24L	(1.49¥ )	18.81	(11.1.)	nii	-	4		8
Lloyds Chemists Yr to June 30	1,136	(1,082)	47	(42.24)	24.58	(22.26)	7.3	Dec 4	7.3	10.4	10.2
Oueensborough 6 mths to July 31	13.9	(1.59)	0.848	(0.035)	0.8	(111)				•	•
Riva 6 mits to June 30	32.3	(34.7)	0.9L	(0.058	31.1	(0.21 )	(LI)		nli		Dr.
Stlerstnight	98.8	(85.2)	4.9	(3.72)	8.99	(5.22	3	Jan 2	2.75		6
Systems let & Yr to May 31	1.25	(1.8)	0.6421	(0.0421)	5.8L	(0.42)		-			
Investment Trusts	EAS	7 (p)		hutable 198 (Em)	891	S (19)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total kan year
Abtrast Asian 45 wks to July 31	101.96	(-)	0.549	(-)	1.57	(-)	1.24	Nov 28		1.2	
Govett Globel 6 anths to July 31 *	111.82	(96.45)	0.106	(0.076)	0,49	(0.35)	•				•
3! Smaller Quoted 6 mits to Aug 31 *	175.5	(151.9 )	1.35	(0.907)	2.32	(3.36)	0.94	Nov 15	0.94		4.424

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### **PUBLIC NOTICES**

### **Broadcasting Complaints** Commission

In December 1994, Central Television broadcast a programme in the Cook Report series called Bad Medicine. It set our to highlight the activities of "quacks cashing in on the hopes and fears of cancer patients". According to the programme, one of the people investigated appeared to offer magnetotherapy as a cancer tre During the programme she was shown apparently offering a magnetotherapy machine for sale to an undercover researcher. A photograph of a magnetotherapy machine was also shown, the machine being one manufactured and sold by a Danish company. Mr Erik Nielsen, the company's general manager, complained through Mr Coghill of Coghill Research Laboratories to the Broadcast Complaints Commission that the programme had unfairly suggested that his machine was dangerous and that magnetotherapy had no beneficial aspects.

The Commission consider that the programme's unqualified use, albeit fleetingly, of the phrase "extremely dangerous" notwithstanding its statement that magnetotherapy "may have some legitimate uses" - can hardly have been less than detrimental in Mr Nielsen. There was therefore some unfairness to him in this respect. That said, the Commission note that the program me did not refer to Mr Nielsen by name and did not suggest that Mr Nielsen himself had made any claims that this machine could cure cancer. They can understand Mr Nielsen's objection to one medical expert's stat that "there is no evidence whatsoever that electromagnetic field therapy is therapy for anything". This was, however, the commission own opinion about magnetotherapy in general and the Commission find no unfairness to Mr Nielsen in that

You can get a copy of the full adjudication by sending a stamped addressed envelope to: Broadcasting Complaints Commission, 7 The Sanctuary, London SW1P 3JS.

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(Both companies incorporated in the Republic of South Africa) NOTICE OF ANNUAL GENERAL MEETINGS

Notice is hereby given that the annual ge entioned companies will be held at 5 Press Avenue, Selby, sburg, South Africa on Thursday, 28 November 1996 at 08:45. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, act, speak and vote in his stead.

A prizy need not be a member of the company. A holder of a share warrant to bearer who desires to attend or be med at the meetings of the above mentioned compa st produce his share warrant or a certificate of his holding from a S. Marie banker or other approved person at the bearer reception office of the United Kingdom registrars, transfer and paying agents or he must ochica his share warrant at the office of the French agents in both cases at least 5 clear normal business days before the date appointed for the holding for the meeting, and shall otherwise comply with the "Conditions governing share warrants" currently in force. Thereupon, a proxy or an attendance form under which suc

Registered Offices: 5 Press Avenue Selby

share warrant holder

impany Limite per DJ Haddoo

8 October 1996

The 1996 Annual Reports for both companies have been posted today and copies are available for holders of share warrants to bearer from the UK Secretaries Viaduct: Corporate Services Limited, 19 Charterhome Street. ion ECIN SQP.

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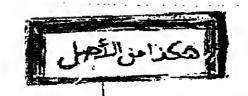
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FT Surveys



# to resul Inchcape sells ITS arm for £380m

By Ross Tieman

FIRSDAY OCTOBER

this month

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Eurovein

Charterbouse Development Capital and Bankers Trust are planning a ground-breaking £120m (\$187.2m) US bond issue to part-finance their £380m purchase of Inchespe Testing Services (ITS) from

Inchcape, agreed yesterday. Although such issues have baen employed in US and continental European deals, this is thought to be the first time a UK venture capital deal has been financed using out environmental monitorcash from the bond markets.

Along with the demerger nies globally. During 1995, it sold down to client funds. of insurance brokar Bain Hogg, due next month, the sale of ITS forms a key plank under Mr Philip Cushing, chief exacutive. ITS originated as a support function for Inchcape's international trading operations. Based in London, ITS employs about

6,500 staff in more than 80

countries. It tests and certi-

fies product quality, evalu-

ates minerals, and carries

mads pre-exceptional operating profits of £27.8m on revenues of £284m. Almost half in Inchcape's restructuring its income is in US dollars. It has only two compara-

ble competitors: Underwriters Laboratories in the US and Société Générale de Surveillance in Switzerland. The naw ITS will bave

£90m of conventional equity. Of that, £15m will be in the hands of managers, led by chief executive Mr Richard Nelson. The rest will be will come from Bankers Trust in the form of preferred equity. The remaining funding will come from £140m of senior debt and the bond issue. The bonds will replace

mezzanine funding com-Denominated in US dollars and issued by Bankers Trust, they will enable the company to borrow at an annual interest rate of about

Thanks to its strong cash A further £50m of funding flow and rapid sales growth, ITS was well placed for an early flotation in London or New York, Mr Cushing said he was delighted with the price achieved for the business. It was well above the £330m originally envisaged hy analysts. Inchcape will declare an exceptional pretax profit of £180m arising from the disposal. Proceeds will belp reduce Inchcape's borrowings, which were £510m, to give a gearing rate

particularly if it can exploit

its dominant position in

introducing incremental rev-

enue streams and new cata-

Profit forecasts for the

company, which were cut by

between 7 and 18 per cent

recently, are clustered

around £63m for the balf

year. This compares with

£36m at the same stage last

year, but with the business

of that period bearing little

resemblance to that of today.

about £145m are forecast.

This puts the shares on a

prospective p/e of more than

19 times - a 35 per cent pre-

mium to the market and at

only a slight discount to

Electrocomponents. But this

falls to 16.3 for Premier Far-

nell in the year to January

1998, and to 13.5 times in

1999. The corresponding fig-

ures for Electrocomponents

earnings outlook and the

risks associated with integ-

rating Premier, a market rat-

ing would be more appropri-ate," believes Mr Heal.

Attention will also ba

well's decision to step down

at the end of the year. Mr

"Given the worsening

are 21.5, 19.1 and 17.1.

For the full year, profits of

### Eurotunnel shares still on the slide

Motoko Rich in London

Shares in Eurotnnnel continued to drop in Paris and London yesterday, as shareholders digested news of Monday's complex financial restructuring plan.

In Paris the shares fell 10 per cent to FFr7.50 on the second day of trading after the suspension was lifted. In London the shares lost 12p to 93p (\$1.40).

Analysts suggested the drop was the result of institutions unwinding short positions, was well as disappointment hy myestors over the restructuring plan to reduce the costs of servicing tbe £9.1bn (FFr70bn) of bank debt.

Some shareholders were expecting intervention from either the UK or French govoff, rather than modifications to reduce its repayment terms and extend its duration.

Others were concerned that the stake beld by shareholders would be dilnted well below 40 per cent if there was a full conversion into equity of the bank debt, agreed under the terms of the deal.

"The dilution could be a lot more than was talked about on Monday," said one analyst. He said that if some of the debt instruments were converted to equity, existing sbareholders' interests could drop to as low as

24 per cent of the company. Mr Patrick Ponsoile, joint chairman, warned this week tbat tbere was still little more than a one-in-two chance that the plan would be approved.

### CORRECTION

Mr Patrick Ponsolle, chairman of Eurotunnel, said that in 1996 the group would increase turnover by more than 50 per cent, not double it as reported in yes-

### LEX COMMENT **British Energy**

British Energy/Railtrack

Parthy paid share prices relative

Poor old British Energy. Three months after the nuclear generator was privatised, its shares are still languishing. Even plans to sack nearly a quarter of the workforce - significantly tougher cost-cutting

assumed at flotation have done little to get the price moving. Of course, Railtrack too had a dull few months before its sbares blossomed splendidly. But British Energy faces a higger problem: pervasive worries about future electricity prices.

Partly, this gloom is justified; oversupply in the "base load" power generation market is, if anything, worsening. On the other hand, there is no sign of the bloody price war some feared Hanson might provoke. And British Energy is doing better than many expected at keeping its stations running - and therefore its revenues flowing. It is difficult too to believe the share price is not

underrating the company's formidable cashflow. British Energy's dividend growth potential looks far greater than the management has led investors to expect - or the fully-paid stock's 8.4 per cent prospective yield would

How likely can a dividend cut be, when even bearish electricity price assumptions leave the company with cash cover of a fat 3 to 4 times in 2000?

True, persuading the management to pay cash out rather than spend it on pet projects may require a spot of shareholder pressure. But if electricity prices come under serious threat, this should not be too much to ask.

## **Brit Energy shelves** power station plan

By Simon Holberton

British Energy, the nuclear utility which yesterday announced a 23 per cent cut in its workforce, bas shelved plans to build a gas fired power station at its Heysham site, near Lancaster,

Mr Robert Hawley, chief executive, said British Energy was "not in the market to build a big new power station of any sort" in the UK or elsewhere.

The Heysham project, where the company had boped to fit a combined cycle gas fired unit, bad been shelved due to insufficient transmission capacity Mr Hawley made it plain that British Energy would look to its cost base before

He made these comments after British Energy confirmed that it planned to cut staff by 1,460 to 4,800 over the coming three years. The staff cuts, which bave been provided for and will cost £100m (\$156m) over the period, will produce cost savings of £50m a year, the

company said. It said the savings were directed at further improving the efficiency of its operating subsidiaries. Nuclear Electric and Scottish

### vein back ing under contract to compaowned by Charterbouse, or of 74 per cent, on June 30. The takeover that brought spark

### Christopher Price takes the longer view of Farnell's audacious bid for Premier

t has been a torrid sum-mer for the UK's alectronic componant distributors. A slump in semi-conductor prices has affected other components, hitting distributors of bulk supplies to large customers

particularly hard. Among the "volume" distributors, recent months have seen poor results from Diploma, while Abacus Polar and Eurodis Electron have both issued profits warnings.

Not surprisingly, tha groups' shares have declined as analysts have cut profit forecasts. Against a 6 per cent rise in the FTSE All-Share in the past six months, Abacus shares have almost balved, Eurodis has declined 37 per cent with Amid the rash of red pens,

Mr Howard Poulson, chief executive of Premier Farnell, might be forgiven a smug smile. Earlier this year, as Farnell Electronics, tha group polarised City opinion and prompted a widely-publicised shareholder revolt as it launched an andacious \$1.85bn (£1.18bn) agreed bid for Premier Industrial Corporation of the US, a company twice its size.

There was concern over the merged company's levels of debt, the dilution to earnings and the Wetherby-based management's ability to run the world's third largest electronic component dis-Tributor. However, these time business: Now, about 85 volume business was one of



son and his team as a one-off revenues are drawn from Premier purchase. "This deal opportunity to buy critical mass in a fragmented indus-

But the purchase also had the effect of lowering Farnell's exposure to the volume market, as Premier is concerned purely with distributing components via catalogues, mostly to small businesses. This is a higher margin operation than volume, while the variety of components has offered protection against the semi-conductor downturn.

Prior to the merger, about a third of Farnell's revenues were derived from the vol-.. were countered by Mr Poul- per cent of Premier Farnell's the strategic reasons for the Premier Farnell is positive,

catalogue distribution.

It is an important distinction and while the company has suffered cuts to profit forecasts in recent weeks, the revisions have not been of the magnitude seen for the pure volume distributors. As a result, its shares, although buffeted by continuing concerns over the merger, have managed to maintain their value of six months ago. Electrocomponents, a purely catalogue business, has seen its shares rise 10 per cent in the same period. Mr Poulson says the more cyclical nature of the.

improves the quality of our

Mr James Heal of Hoare Govett, one of the company's sbarpest critics, believes the US purchase is increasingly looking like a defensive move in the face of severe margin pressure in the volume business and a slowdown in tha European catalogua business. "This raises yet more questions over the price they paid for Premier,"

While agreeing the short-term outlook is dull for both company and the sector, Ms Sue Cox at UBS says tbe long-term outlook for

### focused on the company's search for a new chairman following Mr Richard Han-

Eurotunnel Poulson says the short-list is down to five and he would prefer somehody with a City profile. Given the division of opinion in the Square Mile, the appointment will be a terday's Financial Times.

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### INTERNATIONAL CAPITAL MARKETS

# European high-yielders recover their momentum

GOVERNMENT BONDS

By Richard Lapper, Capital Markets Editor

After weakness earlier in the week in Italy and Sweden, Europe's high yielding markets recovered their momentum yesterday. The US dollar's firmness against the D-Mark provided some initial support for the highyielders. Moreover, analysts said investors feel that European convergence is assum-

ing a momentum of its own "Most investors are convinced these convergence trades are a structural phenomenon, particularly in Italy and Spain," said Mr Stephen Hannah, chief economist at IBJ in London.

"Convergence is like a runaway train. For the moment, there is nothing to honds across the curve. The stop it," added Mr Julian yield on the nine-year bench- higher, while the 10-year

Jessop, chief European economist at Nikko.

More generally, high levels of capital outflows from Japan are underpinning both the European and US markets. Figures yesterday showed that Japanese investors purchased a net Y1,200bn of overseas bonds in August, the highest monthly total this year. Although between 60 and 80 per cent of this is directed into US bonds, European markets have also benefited.

■ Positive early develop-ments in Scandinavia set the tone for the high yielders. News of a reduction in the Swedish National Deht Office's borrowing requirements from SKr40bn -SKr50bn to SKr20bn -SKr30bn boosted Swedish

mark due 2005 fell by 18 yield spread over Germany advanced, partially as a basis points, while the yield fell a further 6 basis points result of continuing rumours spread over 10-year German paper dropped the same amount to 106 points.

Finnish bonds were huoyed by a 10 basis point cut in the repo rate to 3 per cent. The yield on the benchmark nine-year bond fell by 4 basis points, with the spread over 10-year hunds down 2 basis points to 51 points Bullish sentiment spilled

over into Spain and Italy. in Spain, bond prices rose despite a 4 per cent increase in industrial output in July. Spanish yields declined across the board, with the 10-year spread over Germany dropping from 172 to 158 basis points. On Liffe, the 10-year Ital-

ian BTP contract closed more than a third of a point

■ The Franch 10-year futures contract gained more than a third of a percentage point, and the German yield spread over France widened to 6 basis points, compared with 2 points on Tuesday.

Mr David Brown, chief European economist at Bear Stearns, said his initial target of minus 10 basis points "looks set to be taken out, and given that most international portfolios are thought to be significantly underweight French government bonds, a move to our sixmonth target of minus 25 basis points could well unfold sooner than expec-

■ Despite the absence of economic news, Germany again at 1114.

of a repo rate cut. However, activity in the cash market was thin and trading mainly futures-led. On Liffe the 10year December futures contract gained 0.08 to settle at

■ Minutes from the latest meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the governor of the Bank of England, were seen as positive for the gilts market.

Mr Simon Briscoe, chief UK economist at Nikko, said the minutes "will have a favourable impact at the margin". They also contain a long list of possible weaknesses in the economy, he explained. On Liffe the December long gilt rose to a high of 111%, before settling

New international bond issues

US Treasury prices were stronger in midday trading in New York, but off their highs for the session as traders awaited data on September wholesale prices and retail sales due on Friday.

The benchmark 30-year Treasury climbed as much as half a point before giving up most of its gains by midmorning.

Some traders attributed the decline to a rumour that Russian President Boris Yeltsin was dead, but a Russian official in Washington said there was no basis for the rumour.

By midday, the long bond was just & ahead at 994 to ued," he said. yield 6.796 per cent, while at 1004, vielding 5.897 per cent. The December 30-year bond future was higher at 1113.

Mr Richard Gilhooly, inter-

national bond strategist at Paribas Capital Markets in New York, said profit taking rather than the Yeltsin rumour probably sparked the market's decline. He noted that the December 30year future began to fall

ulation hit the market. He attributed the early gains to Europeans shifting assets into Treasuries as their markets soared. "We had some of our clients switching out of European markets into Treasuries because their own markets had become very overval-

from its session high of 111½ well before the Yeltsin spec-

Traders expect the market the two-year note was up & to remain stuck in a narrow range until investors get a better sense of the strength of the economy from Friday's figures on producer prices and retail sales.

### **Pakistan** facility may be increased

By Peter Montagnon, Asia Editor

Pakistan's latest borrowing. a \$100m oil import facility led by ANZ investment Bank, has been nversubscribed and may be increased, in spite of the country's dwindling reserves and differences with the International Monetary Fund over hndget policy.

ANZ said the credit, which carries an interest margin of one percentage point over money market rates and participation fees of up to 22.5 basis points, had attracted 17 subscribers.

Syndication has coincided with a row over budget pol-icy with the IMF, which was only partially resolved at a meeting last week between Ms Benazir Bhuttn, prime minister, and Mr Stanley Fisher, IMF deputy managing director.

Ms Bhutto said an understanding had been reached on the broad outlines of a new budget, but this fell short of a full accord that would allow Pakistan to resume drawings on tts \$600m. IMF lnan. With reserves now below \$1bn, that has raised concern abont Pakistan's ability to

meet debt repayments. However, evidence that it can continue to borrow in the market may allay some nf this concern. Pakistan bas traditinnally relied on short-term borrowings, which carry lower margins than longer-term credits. and has managed to refinance them even with

reserves far lower than now. But short-term burrowings have created a beavy repayment schednle. Altogether, \$700m falls due in the second half of this year.

# Petronas in euromarket debut

INTERNATIONAL BONDS

By Richard Lapper and Conner Middelmann

Eurobond issuance proceeded at a frantic pace yesterday, with borrowers taking advantage of the strong underlying tone in

government bond markets. Two oil companies from the emerging markets provided one of the day's highlights, with Petronas, the state-owned Malaysian company, making its euromarket debut with a \$1.5bn threetranche offer and Petrobras. the state-owned Brazilian company, raising \$375m in a two-tranche deal.

The Petronas offer, led jointly by CS First Boston and Salomon Brothers and to be priced today, follows issues in the Yankee market in 1993 and 1995. Syndicate managers said the issue was beavily oversubscribed.

30-year tranche came mainly from US investors, although it is hoped that between 10 and 15 per cent will be placed with European funds. The tranche is set to be priced today at around 85 basis points over the Treasury bond. The 10-year paper was heavily favoured by European investors, who are also expected to buy 55 to 60 per cent of the five-year

its roadshow yesterday. Chase Manhattan, lead manager for Petrobras, said the 10 year tranche increased from an initial union. \$125m to \$250m - was the first Brazilian issue of this

tranche. The company ended

maturity in recent times. The 10-year paper was priced to yield 350 basis narrowed to 344 points when the bonds were freed to trade. The smaller five-year tranche also met a favoura-

Demand for the \$300m ble response, with the copoints contracting to 240 points over Treasuries.

The recent flurry of 30-year zero-coupon bonds continued with a DKr4bn offering for Dentsche Finance, a DM500m increase of Deutsche's recent DM1bn offering, and a DM1bn issue of bonds for the European Investment Bank.

These deals have come in response to retail investor enthusiasm for paper offering a leveraged return on falling interest rates ahead of European monetary

Since they are sold at a

deep discount, they require and their strong gearing means that even a small rise points over Treasuries, but in price represents a large gain in percentage terms.

region, but also attracted interest from Italian and London-based huyers, according to lead manager

Deutsche Morgan Grenfell. The EIB's offering found particular favour with Italian retail investors, for whom bonds issued by the EIB and the World Bank are exempt from inheritance tax. lead manager CSFB Effectenbank said.

Elsewhere, GECC became the first corporate borrower to issue bonds denominated in Slovak koruna, with a Kčs2bn issue of one-year bonds - the largest issue in that currency to date. The bonds were placed with retail investors in Germany only a small cash outlay, and Switzerland as well as institutions, lead Merrill Lynch said.

 Moody's has assigned a sovereign ceiling of Ba2 for The Danish krone deal ratings on long-term foreignwas targeted initially at currency bonds of issuers investors in the Benelux domiciled in Egypt.

Borrower	Arnount 15.	Couper	Price	ideturity	Fees %	Spread bp	Book-runper
E US DOLLARS		. '2: '2					Committee of the commit
CERT 1996-1(a)	3.058bn			-	-		Goldman Sachs/Nomura
Petronas	600	(0)4	(b)R	Oct 2001	0.375R	(b1)(B%%-01)	CSFB/Salomon Brothers
Petronea	600	(b)#	(b)R	Oct 2008	0.45R	(b2)(6½%-06)	CSFB/Salemon Brothers
Petronas	300	(b,s)*	(b)R	Oct 2026		+85(6%Feb26)	CSFB/Salomon Brothers
Petrobres	125	8.75#	99.88R	Oct 2001	0.50R	+250(8%%-01)	Chase Marhattan Inti
Petrobras	250	10.00#	99.78R	Oct 2006			Chase Manhattan Inti
B Pheinland-Pfalz(1)	200	6.25	99.674R	Nov 2000		+100	ABN Armo/Bear Steams
Companhis Hering(c)	100	12.004	99.818R	Oct 2004	1.25R	+550(8%-09)	Deutsche Morgan Grante
Great Eastern Shipping Cot	50	(c)	99.85R	Oct 2003	0.825A	-	ANZ Banking Group
D-MARKS							
European Investment Bank	1bo	zero .	13.738	Nov 2006	0.30R	+7/EV296-243	CSFB-Effectenbenk
Doutsche Finence(Nethelle)	500	ZBTO	13.50	Oct 2026	0.80	-	Deutsche Morgan Greme
JBS Finance	150	2.50	90.25R	Oct 2001	0.25R	+10(0.119)	UBS Germany
STERLING				· • • • • • • • • • • • • • • • • • • •		-	
tolling Stock Finance(f)	545				٠.	-	UBS
FRENCH FRANCS	. 77-				٠		
Surposen Invitent Benkla)	1bn	6.125	102 8080	Oct 2004	0.308	+1/67496-041	coc
		0.123	1023001	- Luc-	0		
PESETAS		2		-			
European Inviment Bankin)	10bn 6,7bn	7.35	100.99	Nov 2006 Mar 2000	1.87S 0.10		BCH/HSBC Markets BSN
DANISH KRONER		2250	100.00				
							Deutsche Morgan Grenfe
Deutsche Finance (Neths) Eurofima(i)	400	ZBFO D	10.55R 101.71	Nov 2026 Dec 2003	0.10A 1.75	•	Generale Bank
	400	w	101.51	COL ZING	1,75		
SWEDISH KRONOR		0.00					
Swedish Export Credit	500	6,50	101.885	Dec 2001	1,875	-	Svenska Handelsbanken
SLOVAK KORUNA							
SECC	2bn	11.625	100.00R	Oct 1997	0.50R		Memil Lynch International
nal terms, non-callable unless Convertible. ‡ Floeting-rate r pulpment Receivables Trust. (	note. #Ser Originated	ni-annual and servi	coupon. I	R: Exed re-	offer pric	e: lees shown	at re-other level, a) Capi

	Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager.
	\$Convertible. \$ Floeting-rate note. #Semi-ennual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Capita
	Equipment Receivables Trust, Originated and serviced by AT&T Capital Corp. Five transfes. b) Priced today over Treasuries:
٠	(b) 38-40bp and (b2) 57-59bp, cl Callable and puttable on 18/10/99 at par & 981/16 and on 16/10/01 at par and 981/16. (i)
	6-mit Ubor +135bp, e) DM1bn launched Tuesday was increased to DM1.5bn. f) Securitiestion of lease rentals due to
	Porterbrook, c) Fungible with FFrSbn. Plus 20 days accrued. III) Pla38,4bn launched 16/9/96 was increased to Pla43.5bn
	representing six deals of Pts7.25bn. Redemption linked to libex-35 Index, it Over interpolated yield. [) 5% to 29/12/99, then
	7%%. I) Long 1st coupon, s) Short 1st coupon.

Austria 6.250 05/06 101,6100 +0.040 5.92 5.98 Belgum 7,000 05/06 106,6800 +0.320 6.06 6.15 7,000 05/06 106,6800 +0.320 6.06 6.15 7,000 05/06 106,6800 +0.320 6.06 6.15 7,000 05/06 101,6000 +0.0160 6.78 7,000 05/06 101,6000 +0.0160 6.78 7,000 05/06 101,6000 +0.0160 6.78 7,000 05/06 104,4000 +0.0160 5.91 6.05 6.05 05/06 104,4000 +0.0160 5.91 6.05 6.05 05/06 104,4000 +0.0160 5.91 6.05 6.05 05/06 106,800 +0.0160 5.97 6.02 106,000 106,000 +0.0160 6.81 6.85 6.85 6.85 6.85 6.85 6.85 6.85 6.85			Coupan	Red Date	Price	Change	Yield	Week	Month
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Canada * 7,000 12/06 101,5000 +0,160 6.78 7.00 Denritaris. 8.000 03/06 108,5000 +0,300 6.74 6.84 France BTAN 5.500 10/01 102,6927 +0,220 4,89 5.11 6.95 France BTAN 5.500 10/06 104,4000 +0,410 5.91 6.05 Germany Bund 5.250 04/06 101,9500 +0,150 5.97 6.02 freignd 8.000 08/06 108,3000 +0,410 5.91 6.02 freignd 8.000 08/06 108,8000 +0,580 6.12 6.18 flepsin No 140 6.600 06/01 121,8238 +0,190 1.61 1.78 No 192 3.000 09/05 101,8686 40,040 2.74 2.63 8.95 fletherlands 8.500 05/06 116,6400 +0,120 5.90 5.81 Portugal 9.500 02/06 113,3500 +0,800 7.48 7.68 159ain 8.800 04/06 108,0200 +0,120 5.90 5.81 Portugal 9.500 02/06 113,3500 +0,800 7.48 7.68 159ain 8.800 04/06 108,0200 +0,870 7.57 7.76 159 Sweden 6.000 02/05 93,5010 +1,050 7.05 7.21 157 5.00 12/06 100-30 +8/32 7.36 7.47 8.000 12/06 100-3			6,250						6.38
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7.500 12/06 100–30 +8/32 7.36 7.47 8.000 10/08 111–25 +12/32 7.50 7.51 6 9.00 10/08 111–25 +12/32 7.50 7.51 6 9.00 10/08 103–11 -1/32 8.48 6.56 6 6.750 08/28 99–17 - 6.78 6.85 6 9.00 104/08 104/9800 +0.140 6.28 6.35 6 9.000 104/08 104/9800 +0.140 6.28 6.35 6 9.000 104/08 104/9800 104/08 104/9800 104/08 104/9800 104/08 6.28 6.35 6 9.000 104/08 104/9800 104/08 104/9800 104/08 104/9800 104/08 104/9800 104/08 104/9800 104/08 104/9800 1	Sweden		6.000	02/05	93.5010	+1.050	7.05	7,21	6.09
8.000 10/08 111-25 +12/32 7.50 7.61 6 US Treasury 7 7.000 07/08 103-11 -1/32 8.48 6.56 6 6.750 08/28 99-17 - 6.78 6.85 6 ECU (French Govi) 7.000 04/06 104.9800 +0.140 6.28 6.35 8 London cloping, "New York mid-day Yellow Local market sty foress (including withholding tax at 12.5 per cent psyable by nonresidently)	UK Gilts		6.000	12/00	104-25	+6/32	8.66	6.79	7.05
US Treasury 7.000 07/08 103-11 -1/32 8.48 6.56 6.750 08/28 99-17 - 6.78 6.85 7.000 04/08 104.9800 +0.140 6.28 6.35 8.20 04/08 104.9800 +0.140 6.28 6.35 8.20 04/08 104.9800 +0.140 6.28 6.35 8.20 04/08 104.9800 +0.140 6.28 6.35 8.20 04/08 04/08/08/08/08/08/08/08/08/08/08/08/08/08/			7.500	12/06	100-30	+8/32	7.36	7.47	7.81
6.750 08/28 99-17 - 6.78 6.85 1 CU (French Govi) 7.000 04/06 104.9800 +0.140 6.28 6.35 1 condon closing, "New York mid-day condon closing, "New York mid-day fat at 12.5 per cent psyable by nonresidently fat at 12.5 per cent psyable by nonresidently			8.000	10/08	111-25	+12/32	7.50	7.61	6.02
ECU (French Govt) 7.000 04/06 104,9800 +0.140 6.28 6.35 ( London cloeing, "New York mid-clay Yielde: Local market sty 7 Gross (including withholding tear at 12.5 per cent payable by nonrecidents)	US Treasur	y -	7.000	07/0B	103-11	-1/32	8.48	6.56	6.93
London closing, "New York mid-day Yields: Local market st; if Gross (including withholding text at 12.5 per cent payable by nonresidents)		•	6.750	08/26		_	6.78	6.85	7.11
f Gross (including withholding tax at 12.5 per cent psyable by nonresidents)	ECU (French	Govt)	7.000	04/06	104.9800	+0.140	6.28	6.35	8.82
	London close	ng, "New Y	ork mid-day	y		Yie	de: Local	market :	stander
	Gross (mei	ucing with	noiding tar	# 125 p	er cent paya	ble by non	residents	)	
	Prices: US, U	K in 32nds	others in a	lectmal			Source:	MMS ma	drantion
US INTEREST RATES		EDEC	T DAT	EC.					

Latest		Treasury	EUUS	and Bond Yields	
Prime rate Broker loan rate Fed.funds Fed.funds at intervention	814 7 57	Ore month Two month Three month Stamouth One year	5.11 5.29 5.49		5.6 6.2 6.5 6.7
					٠

Franc	æ					
M NOTE	DNAL	FRENCH	BOND	FUTURES	(MATIF)	FFr500,00

BOND FUTURES AND OPTIONS

Dec	126.10	126.54	+0.40	126.80	126.10	224,281	199,741
Mar	126.14	126.58	+0.44	126.78	126.14	2,116	33,152
Jun	125.06	125.50	+0.44	125.06	125.06	2	3,844
E LONG	TERM FRE	NCH BON	о ортк	TAM) BING	1F)		
Strike		CAL	.s			PUTS	
Price	Nov	Dec	: 1	<b>der</b>	Nov	Dec	Mar
122	-	4.55	5	-		0.03	0.24
123	3.55	-		-	0.01	0.07	0.36
124	2.57	2.66	3 3	.10	0.02	0.13	-
125	1.62	1.82	2	-	0.07	0.28	0.79
126	0.81	1.12	2 1	.73	0.28	0.55	
Est. vol. to	tal. Cells 62,874	Pues 51,099	Provious	day's open	Irt., Calls 15	5,690 Puts 15	57,812

■ NOT	IONAL GER	MAN BUND	FUTURE	S (LIFFE)	DM250,0	000 100ths	of 100%
	Open	Sett price	Change	High	Low	Est. vol	Open Int
Dec	99.50	99.68	+0.06	99.94	99.48	214537	253488
Mar	98.55	98.70	+0.09	98.94	98.55	1120	9219

Strake		CAL	LS				PUTS -	
Price	Nov	Dec .	Jan A	ter 1	Nov	Dec	Jan	Mar
9960	0.46	0.78 0	.53 0.	85 0	,30	0.81	1.33	1,65
10000	0,23	0.53 0	.37 0.	67 0	1.55	0.85	1.87	1.97
10050	0.10	0.34	25 0.	51 0	.92	1.18	2.05	231
Est vol 1	otal, Calls 31	710 Puts 27	275. Previo	ne cala,2	open inc.	C	202780 P	ues 1 <i>8</i> 8617
Italy								
		TAN GOAL		BTP) FL	JTURES			
(LIFTE	Open	Sett price		High	- 10	_	Ent wol	Open in
			_	-				
Dec Mar	123.45 123.20	123.66 122.90	+0.37	124,37 123,20			80592 550	82363 1142
						_		
M LLYTY	N GOVT, BO	ND (STP) FU	TURIES OF	DONA (C	FFE) Lina	200m.	OOTH OF	100%
Strike		CAL	15				WIS	
Price		Dec	Mar		De	C		Mer
12350	1	48	1.95		1.3	4		2.55
12400	1	.21	1.74		1.50	5		2.84
12450	0	.97	1,53		1.8	2		1.13
Est. vol. to	real, Curto 22	820 Puts 836	5. Previous	day's of	peri int., i	Cats 1	43891 Pu	136573
Spain								
			FUTURE					

	Open	Sett price	Change	High	Low	Est. vol.	Open int
Dec	107.80	107.75	+0.65	106.95	107.80	122,798	72,018
UK							
E NOTK	ONAL UK	SILT FUTU	RES (LIFF	E)* £50,00	0 32nds of	100%	
	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-23	111-03	+Q-11	111-17	110-21	117854	186310
Mar .	110-09	110-07	+0-09	110-15	110-07	1274	1156
T LONG	00 T ==						
- LUNG	CHC1 FUI	URES OF	KONS (LIF	FE) £50,00	10 64ths of	100%	
Strike	- CALI FOI	CAL		FE) £50,00		100% PUTS —	
	Nov	CAL	LS	FE) £50,00		PUTS -	Mar
Strike		Dec .	LS		v Dec	PUTS -	Mar 2-18
Strike Price	Nov	Dec .	LS	lar No	v Dec	PUTS — Jan 1-49	
Strike Price	Nov 0-42	Dec . 1-06 0 0-42 0	LS	lar No 30 0-3 04 1-1	7v Dec 8 1-00 0 1-38	PUTS — Jan 1-49	2-18
Strike Price 111 112 113	Nov 0-42 0-15 0-05	Dec . 1-06 0 0-42 0	1.8	tar No 30 0-3 04 1-1 48 1-8	7v Dec 8 1-00 0 1-38 3 2-17	PUTS — Jan 1-49 2-28 3-10	2-18 2-54 3-34
Strike Price 111 112 113	Nov 0-42 0-15 0-05	Dec . 1-06 0 0-42 0 0-23 0	1.8	tar No 30 0-3 04 1-1 48 1-8	7v Dec 8 1-00 0 1-38 3 2-17	PUTS — Jan 1-49 2-28 3-10	2-18 2-54 3-34

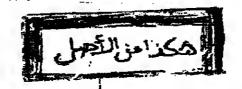
	Open	Sett price	Change	High	Low	Est. vol.	Open int
Dec	94.24	94.36	+0.04	94.74	94.24	1,517	6,821
Mar	-	93.44	-	-	-	-	-
US							
	REASURY E	YOUR ELIC	LIBES ICE	TD \$100 0	30 32mm	of 10004	
				_			
	Open	Latest	<ul> <li>Cpsm8a</li> </ul>	High	Low	Est. vol.	Open int
Dec	111-02	111-13	+0_10	111-13	110-29	245,361	377,158
Mar	110-18	110-30	+0-10	110-30	110-15	1,615	23.664
Jun	110–14	110-14	+0-09	110-14	110-14	353	4,750
Iona	_						
Japa							
	IONAL LON			GOVT. E	KOND FU	TURES	
(LIFF	E) Y100m 10	OOths of 10	00%				

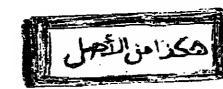
UK GILTS	PRIC	ES										-	-						
Notes	iri	Yield Req	Price £	+ 0" -	S2 High	week_	Notes	<u> </u>	feld Red	Price £ -	- ar -	- 52 v	week _	Notes	(1) Y	faid (2) Price C	+ 07 -	\$2 t	eek_
horts" (Lines up to Fire )	(max)						Trens 8 1-pc 200511	7.89	7.30	107%	+3	1000	101%	Index-Linked (b)			_		_
arversion 190c 1996	9.98	5.B4	1003	-	10333	1003	Trees 7120c 200611	_	7.38	10023	+2	101日	9443	45apc '98tt1135.69	0.35	2.03 114%	44	1144	1112
rees 13 <sup>1</sup> 40¢ 1997#	12.99	5.76	1023	3-	107登	10012	Trans 7 4 pc 200611	7.57	7.31	102.3			96,2	2120c TI(78.5)	2.61	3.15 184H	-1	15411	175
ch 10120c 1997	10.33	5.70	1015		107,2	1015		7.31	7.30	103-k	, le			2*200 '03(/3.5)	2.87	3.25 180%	+1.	180%	171
reas Criv 7pc 1997##	6 94	5.84	10033		10113	100,	Treas Spc 2002-6##				-		97%	4 anc 04#(135.6)	294	131 1187	**	178.3	112
1997##	8.54	5 86	10212		10733	102,7		9.50	7.18	12213		1257	1183	2pc '06(68.5)	3.09	3.36 1907	***	1901	178
ch 15pc 1997	13.75	5.69	1003	-3-	1151	10211	Trees 8120c 2007 ##	7.89	7.43	107段		10013	1013	2120C '0078.8	3.10	143 1714	+3	1714	161
ch 9 %pc 1998	9.33	5.99	10412			104,3	Trees 9pc 2005 ##	£.06	7.491	111332	+43	11213	105	2120c '1174.6	3.26	3.47 1771	+5	177]3	158
BBS 7400: 1988##	7.13	6.07	10133	+3		100,3	Trees Sec 2009	7.71	7.55	10313	+34	10412	95]]	21 <sub>2</sub> pc 73	3.32	150 146	-4	146	136
ees 6-kpt 1925-98##	6.75	6 11	100		1044	967	Trees 6 1/4pc 2010‡2	7.11	7.65	573	+4	68,3	014	21 <sub>2</sub> 90 78(51.6)	3.43	3.55 1557	**	1557	145
mas 15 <sup>1</sup> 20c '98‡‡	13.24	6.21	1174	433	1234	11833		8.65	7.54	11112	+43		1044	21 <sub>250</sub> 24±±87.7	3.43	3.57 149 125		1491	138
ch 12pc 1998	10.80	6.29	1112	+32	11459	11033	Conv Opc Lo 2011 #	400	7.04	11118	+33	11415	Inde	44pc 30#(135.1)	3.43		**		115
125 9 <sup>1</sup> 257: 1999‡‡	8.91	6.31	1055g	_	100	1057											+4	127.3	113
Mas Pitty Ratte 1999			9873		100]]	897								Prospective real redemp	DOOR IT	age ou busie	cted in	Nation	of t
ch 12%pc 1989	1082	6.38	11375	**	11033	11013								10% and (2) 5%. (b) Fig	ures in	Perenthoses	Show	RPI be	se fo
pas 10 <sup>1</sup> 2pc 1999	9.57	6.40	10943	+44	112.3	108								indexing (le 8 months pr	GT 80 4	servel and tra	AG DER	active.	ed b
as Spc 1999 #	6.05	6.31	997	+	9814	941	Dage Filters Years							reflect rebesing of RPI	10 IU	DOR LEGICAL	1987	Conv	-
nversion 104pc 1999	9.26 8.38	6.49	110,	+4	11244	10813	Trees 9pc 2012##	8.04	7.57	11153	+#}	1132	1043	factor 3.945. RPI for Jan 153,1.	LESY I	899. 13U.2 E	na lor /	ndra:	199
nv 9pc 2000##	10.77	6.53	10743	+4	10844	10425	Tress 5120c 2008-12##	6.70	7.46	62.3	+5	824	75%	120.1.					
ses 1400 1995-1	12.51	6.65 6.14	120日		12433	1193	Trees 8pc 2013##	7.79	7.71	10243	+3	103F3	0.5						
pas 8pc 2000tt	7.63	6.65	111D 1943	**	105%	1013	Trees 74 pc 2012-15#-	7.73	7.72	1002	+43	10143	9343	OH					
ess Piter Planto 2001			9945	713	997	291	Trees 8oc 2015##		7.71	102{2	+43	104-5	95/1	Other Fixed In	Tere	-ST			
as 10pc 2001	8.93	6.77	112	+3	114	1004		7.96	-	10975		1115	10212						
- · · · · · · · · · · · · · · · · · · ·			. 12	-32		-	Treas 84pc 2017##		7.76						_ Y	eki		_ 52 m	
							East 12pc 2013-17	5.66	7.75	13013		14113	130[]	Notes	int	Red Price S	+ -	Red	۳.
							Trees 8pc 2021##	7.77	7.72	103	+43	1033	9553						_
														Asian Dev 191,pc 2009	8.59	7.79 118%		120	111

ec lar	Open 99.50 98.55	99. 98.	68	+0.06 +0.09		High 99.94 68.94	99		Open Int. 253488 9219	De	r	12	pen 3.27 2.49	- Ck	APT. All Open is	123.8 122.5	37 1 33 1	23.27 22.47	3	t. val 1756 220	Oper n/ n/	/z
UK G	ILTS I	PRIC	ES				Ė		Ė		TE 10.	Ores E	90 tre		API: All Open I	(AZSYRESI	nga. s	e nor b	ravious	day.		
													_							_	_	
	Notes	ird	Yield Req	Price £	+ 0" -		Liper			Yzeld Red	Price £	+ 01 -	_ 52 v High	Low		Notes	(T)	(2) F	Take C	+ <del>-</del> <del>-</del> <del>-</del>	52 High	<del>-cei</del>
orts" (Line	es and the Filter Y	(core)						Trens 8 1-pc 200511	7.89	7.30	107%	+3	1000	10136	Index-Linked	- 64				_		_
	ipc 1996	9.96	5.B4			10333		Treas 7120c 2006##		7.38	10033	+2	10133	9443	45 pc '98##	(135.6)	0.35	2.03	114%	+1	1144	11
	1997#	12.99	5.76		-3		10012	Trees 7 4 pc 200611	7.57	7.31	102,3		1034	96/4	21200 101	_(78.5)	2.61	3.15	1641	-1	15423	
	1997	10.33	5.70				1015	Treas Spc 2002-811	7.71	7.30	103%	414		97%	21205 '03	(78.8)	2.87	3.25	1801	-1-	180	1
	1997#	894	5.84	10063	-		100,	Trees 113 pc 2003-7 .		7.18	12213	-	125.	1184	4 apc '04##	(135.6)	294	3.36	1187	**	1787	3
	997#	8.54 13.75	5 86 5.89	102½ 108-3	-1	1154	102/1			7.43	10712		10013	101	2 20c '09	78.8	3.10	143	1714		1714	1
	996	9.33	5.99	1043		106%	104.3				11133		11243	105	2120c '11	74.8	3.26	3.47	1771	+3	177	1
	99611	7.13	6.07	10113	+3		100.2			7.55	10313		10412	95]]	212pc 13	P9.2	3.32	1.57	14616	-12	177[3 146]	1
6 6-kpt 1	925-98##	6.75	6 11	100		104%	984	Trees 6 1/4cc 2010##		7.65	871		68,3	014	4-204 10	(51.A)	3.35	3.55	1557	***	1557	-1
	98#	13.24	6.21	1175	+3	123 <u>6</u>	11833			7.54	11112	-			212pc 26	83.0	3.43		43 - 10	14	1491	1
12pc 18		10.80	6.29	1112	+32	11459	11033	Conv Opc Lo 2011 #	1.05	7.04	11116	+43	11255	IDA	4 apr 30#	.497.7)	3.43	3.56 3.57	124.3	47,5	124.3	
	999##	8.91	6.31	1055g	_		1057												1224	+4		1
1240c 1	9 1999 1989	10 82	6.38	98 <u>73</u> 11375	-4	100]] 110]]	799 11015								Prospective real 10% and (2) 5%	redem	ption r	<b>230 CM</b>	broise	cad in	flation	ď
8 10 <sup>1</sup> 200		9.57	6.40	10943	+4		1088								indexing (le 8 m	COLUMN D	pures	inguist of	and has	anow	F97 be	30
	9#	6.05	6.31	99.7	-1		94.7	Over Fiftness Years							remect rebesing	of RP	l to 10	D In Fi	Abruari de	1987	Com	_
	Aspc 1999_	9.26	6.49	110.4		11215	10843	Trees Roc 201255	8.04	7.57	11153	443	1132	1048	tector 3.945. FP	for Je	nusy 1	1996: 1	50.2 as	nd for /	worst	7
	0#	8.39	6.53	10743	+4		10415	Tress 5120c 2008-12‡		7.46	628	+5	4.28	757	153.1.						•	
: 13pc 20		10.77	6.66	120日		12413	1193		7.79	7.71	10241		10373	0.3								
	95-1	12.51 7.63	9.74 6.65	11110	**		1114	Trees 8pc 2013##		7.72	1002	+43		9343				_				
	10## B 2001	7.03	0.03	194 <u>43</u> 9943	+4	105%	101 <u>2.</u> 1934	Trees 8pc 2015##	- 7.73	7.71	102/2	+43		95/1	Other Fix	ed li	nter	est				
	01	8.93	6.77	112	43	114	100 3	Treas 84pc 2017##	7.96	7.76	10974		1115	10212								
					_				_	7.75	13013		14112	13017				18d	-		_ S2 m	18
								East 12pc 2013-17 Trees 8oc 202122	7.77	7.72	103		1033	9573		Notes	int	Red	Price £	+ 6 ~	Kgh	
								11000 abc 575 144	_ ′	1.32	100	135	100-1	~32	Asian Day 104pc 2	009	8.59	7.79	1193		120	1
															87mm 11 200 2012		9.02	8.35	1277	_	128	i
	Yest v				_	<b>-</b>									Angenti Cap 81290 1	0	8.04	-	105%		105%	1
		6 95	6.81 7.00	100%	***	1014	92]								Spc Cap 1996		8.65	-	104		1047	
7pc 200		9.62 7.61	7.00 7.14	113 <sub>3</sub> 5 195 <sub>1</sub> 6		1145 <sub>8</sub> 105B	1047	Undefed							13pc '97-2 Leads 13Japc 2006.		11.72	-	1107	-	111	1
7pc 200 9 kpc 20			703	11513	12	117-5	39	Cornels 4oc	7.57	_	50A	+8	50E	46%	Liverpool 31 <sub>2</sub> pc inte	4	8.75	- 1	40	_	136 <sup>1</sup> 2	
7pc 200 94pc 20 8pc 200	3##			11013					7.78	_	4433	-4	45.4	41.3	LCC 3pc '20 Att	h	8.82	_	34	_	35	
7pc 200 9 kpc 20 8pc 200 19pc 20	3#1 03	8.65			+4-	121.									Hamalumba and							
7pc 200 94;00 20 8pc 200 19pc 20 11 2-0c 2	3## 03 2001-4	8.65 9.79	6.53	1174	+4	12116	114 A			_	815	-13	291.	SEAL.	1193C	2007	6.31	8.201	23/25	_		
7pc 200 94pc 200 8pc 200 19pc 20 11 <sup>1</sup> 2pc 2	3## 03 2001-4 1990-4	8.65			+43	1143	78五 107日	Conv 31200 %1 AR	5.68	-	615	+33	製す	58 <sub>16</sub>	Met. Wir. 300 B		6.31 3.85	8.20 13 7.30	76	=	1241 <sub>2</sub> 781 <sub>2</sub>	
7pc 200 ; 9½pc 20 ; 8pc 200 ; 19pc 20 ; 11½pc 3 ing 3½pc ersion 9½	3## 03 2001-4 1990-4 200 2004	8.65 9.79 4 15 8.37 6.08	6.53 7.16 7.28 7.24	1173 84% 1133 0734	坦	843 <sub>8</sub> 1143 97 <u>7</u>	78五 107년 90弘	Conv 31 <sub>20</sub> C %1 AR 1 rees 3pc %6 AR	566 7.95	-	17 <u>B</u>	+13	384	34.	Met. Wir. 30c B			7.30	78 1413		1241 <sub>2</sub> 781 <sub>2</sub> 1421 <sub>4</sub>	
s 7pc 200 s 9 kpc 20 s 8pc 200 s 19pc 20 s 11 kpc 3 ino 3 kpc	3## 03 2001-4 1999-4 200 2004	8.65 9.79 4 15 8.37	6.53 7.16 7.28 7.24	117 <u>3</u> 843 113,5	첃	1143	78五 107日	Conv 31200 %1 AR	5.68					34% 28%	Met. Wir. Ste. B	2021.		7.30	76	=	7812	13

4 Irredoemables (8) 194.71 0.7 5 Alt stocks (55) 145.68 0.2 Index-Indexd  8 Up to 5 years (2) 203.00 0.07 7 Over 5 years (10) 195.06 0.11 8 All stocks (12) 194.84 0.11	e % Oct 8 10 122.13 30 151.85 38 167.75 71 183.34 25 145.46	Accrued interest 2.22 2.93 2.96 3.79 2.71	7.89 8.27 9.83 8.63 6.49	5 yrs 15 yrs 20 yrs kred.†	Oct 9 6.78 7.83 7.76 7.82	Oct 8 6.83 7.68 7.81 7.88	7.70 8.29 8.33 8.44	6.84 7.64 7.73	Oct 8 5.89 7.58 7.77	7.70 6.32 8.37	6.92 7.87 7.77	0ct 8 6.95 7.73 7.82	Yr. 830 7.80 8.41 8.44
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Average gross redeription yields are shown above 2010 amendments have been made to the 5-15 restained figures for 30-86p-98 are as follows: 5 FT Fixed Interest Indices	Yes and the AS: -15yes 149.75 an	Stacks indicated the All stoc	s for the poles 143,55	anod batween ;	Edge	10 2-Oct-	96. For de	talls plea	ear to des	e, Due to a SE Internet	pricing en Ponal on 01	for for Tr 171 448	1834. The
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# invented telephone.

'(ALSO transistor, laser, Telstar satellite, fiber-optic cable, cellular,

voice mail)

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Specialize in making things that make communications work.

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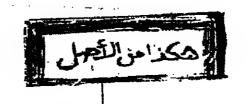
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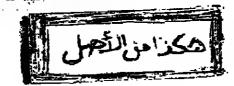
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### CURRENCIES AND MONEY

# Dollar becomes becalmed after yen rumours

MARKETS REPORT By Richard Adams

The dollar strengthened against the yen in overnight sin, the Russian president, trading yesterday after had died. It closed up at rumours that the Japanese and US governments were happy to see the dollar action tomorrow, when US

appreciate against the yen. But the excitement this caused soon disappeared later in the session, leaving the dollar only slightly higher in quiet trading.

The rumours, sourced to Japanase ministry of finance, suggested that a dol- ducer prices last month comlar-yen rate of Y120 was pared with August and a 0.2 acceptable to both govern- per cent rise in retail sales. rumours were later denied. Tha dollar climbed to pean currencies, which Y111.70 but by close of tradenjoyed another day of rising in London it had fallen . back to YIII.485. That was only marginally stronger

than the rate of Y111.275 at which it closed on Tuesday.

dollar closed at DMI 5285

Against the D-Mark, the

from DM1.5272. It rose a quarter of a cenin spite of rumours - also denied - that Mr Boris Yelt-SFr1.2525, from SFr1.2500.

The dollar may see more retail sales and producer price numbers for September will give an indication of the strength of economic activity and of inflationary pres-

According to one poll, anarise of 0.3 per cent in pro-The D-Mark fall against the higher-yielding Euro-

		<u>.                                      </u>		_			
	Po		in How	York			
4	9		Lategt		Prev.	clone	
s	ot.		1.5645		1.5	625	
L	TÎ)		1.5637		1.5	618	
H	ii)		1.5631		1,5	511	
ī	•		1.5597		1.5	575	

ing government bond prices. The German currency was time against the Swiss franc, also the subject of market gossip after suggestions that the Bundesbank might cut its repo rate at its council meeting today. Analysts generally dismissed the possibil-

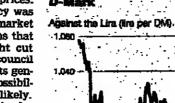
ity of a rate cut as unlikely. The French franc gained a centime against the D-Mark, rising from FFr3.393 on Tuesday to FFr3.381 at yesterday's close.

The lira regained some ground it had lost the day before against the German the White House and the lysts expect on average a currency, ending at L997.1 from L998.3. The Spanish peseta also rose, on the back of its bond market, to Pta84.15 from Pta84.48. Sterling rose two-fifths of a pfennig against the D-Mark, to DM2.3913 from

> ■ The dollar's relative lack of movement, in spite of a thriving Wall Street equity and government bond market, remains a puzzle. Mr Kit Juckes, currency strategist

DM2.3872.

D-Mark



at NatWest Markets in London, described the dollar's progress as a "slow upward

Mr Robin Aspinall, chief aconomist at the National Australia Bank in London, noted the dollar was being supported by Japanese buy-ing of US Treasuries, which in turn has helped the equi ties market.

"Don't think about what might happen when they

stop," Mr Aspinall said.

■ Sterling's gains against the D-Mark came in the wake of the publication of the minutes of the September 4 meeting bewteen Mr Kenneth Clarke, the UK chancellor, and Mr Eddie George, governor of the Bank of England.

The minutes showed a slight hardening of the bank's stance towards rates and confidence in the increasing interest rates, according to Mr Keitb Davies, UK economist at basis points off its key 4Cast, the London-based der rate, to 3 per cent. independent market ana-

"The minutes show the chancellor continuing to turn a deaf ear to the governor's increasing calls for

E OT	HER CU		RENC	ŒS		
Oct 9		ε			S	
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Hangary	242.702		242,935	155.180	-	155.
irac				3000.00		
Konstit	0,4860					
Poland						
Ressia	B483.14		8483.26	5424.00	-	542
UAE	57438		5.7482	3,6725	-	3.67

Davies said.

Balgium week ago

"As a result the minut only reinforce the view th Clarke is extremely unlike to even consider raising rates ahead of the election

■ The Bank of Finland sa in a statement that brighter inflation outloo tighter spreads betwee Finnish and foreign intere markka were behind its desion yesterday to cut basis points off its key te

"Factors underlying th dued outlook for inflation. narrowing of the differents between domestic and fo eign market interest rate and the markets' expression of confidence in th markka." the central ban

 For the latest market update, ring FT Cityline or +44 990 209909

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SOR Link	ed Ds	-	3 <u>5</u>	37	3.	35	-	
week a		-	34	34	376	32	-	
S LIBOR	interbenk fo banks at 11	ding rate	are of	dev. T	ies for S	S10m quote	d to the m.	enket by tout unk of Tokyo,
Berclays a	nd National	Westurn	ester.					
	CURE						AT LINNEU DO	finans (n.st.
Oct 9		Short	7 day		One	Three	Six	One
00.0		term	notice		nonth	months	months	Year
Belgien Fi	manc 3	- 233	3 <sup>1</sup> e - 2	હ કહ	- 28	3 <sup>1</sup> a - 3	310 - 3/4	3 <sup>1</sup> 4 - 3 <sup>1</sup> 8
Danish Kr	one 3]	- 34	34 - 3	35,	- 3,7	3 4 - 3 4	3골 - 3為	3함 - 3분
D-Mark Dutch Gu	3/2 24:	- 316 - 211	34 - : 2 2 - 2	3 3, 1 237	3 - 2 L	33 - 3 23 - 23	3,5 - 3 27 - 21	314 - 318 312 - 233
French Fr		- 3,2	3,7 - 3	1 31	- 3,5	317 - 313	316 - 316	318 312
Portugues	e Esc. 7	- 732	76 - 7	<u>.</u> 732	- 632	912 - 613	6\$3 - 634	612 - 616
Spanish F Sterling		- 633 8 - 6	612 - 6	19 693 1 57	- 633 - 512	9% - 655 535 - 537	611 - 676 532 - 533	612 - 612 912 - 613
Swiss Fra	nc 15	112	5% - 5 1% - 1	4 34 4 15	- 138	1/6 - 1/6	12 - 12	18 - 12
Can. Dolla	r 3}}	- 35 <sub>8</sub>	34 - 3	76 35g	. 312	3-8 - 3-2	314 - 316	4 - 3%
US Dollar Italian Lira		- 412 - 84	511 - 5 97 - 8		- 5¼ - 8½	512 - 518 812 - 712	5% - 5% 7第 - 7胎	5弦 - 5弘 7년 - 7년
Yen		. 3	12 - 3	17		12 . 18	15 - 3 <sub>8</sub>	13 13
Aman \$Sir		- 3 <sub>16</sub>	34 - 3	ا <sub>ل</sub> و ع <sup>ا</sup> لو	- 3 <sup>1</sup> 8	316 - 316	3,6 - 3,5	312 33
Short rem	rates are co	all for the Philod	US Dol	er and DES A	Yen, oth	ers: two day via Interhan	rs' notice. Is offered #	te (FFr 5m)
	Open		rice Ch		High	Low		Open Int.
Dec	96.41	96.4		0.03	96.45	96.40	34,104	74.696
Mer	96.40	96.4	13 +1	0.04	96.45	96.40	20,052	38,791
hun	96.38	96.4	5 +	0.05	98.44	96.38	11,483	28,694
<b>THRE</b>	E MONTH	EURO	MARK	FUTUE	MES (LH	FE) DM1	m points o	100%
	Ореп	Sett p	rice Ch	ange	High	LOW	Est. vol	Open int.
Dec	96.86	96.8		0.01	96.88	96.85	30986	211021
Mar Jun	96.82 96.72	96.8 96.7		).02 ).03	96.97 96.77	96.82 98.72	43527 35994	217041 163290
Sep	96,57	96,60		0.02	96.63	96.57	30570	139519
	E MONTH					E) L 1000n	n points of	
	Ореп		rice Ch		High	Low		Open int.
Dec	92.37	92.37	7		92.43	92.36	14017	66302
Mar	92.93	92.97		0.02	93.03	92.92	11942	44093
Jun Sep	93.25 93.37	93,30		1.05 1.06	93.35 93.44	93.25 93.37	3606 3152	31095 22638
		IRO SWI	100 PT.	IC PHIL			, u IV	
	MONTH EU						Ent and	
n Three	Open	Sett po	ice Ch	ange	High	Low	Est. vol	Open Int. 41233
THREE.	MONTH EU		ice Ch				5942 3778	Open Int. 41233 24227
Dec Mer Jun	Open 98.39 98.39 98.26	Sett po 98.36 98.36 98.25	ice Ch	ange 1.02 1.03	High 98.41 98.39 98.28	98.35 99.34 96.22	5942 3778 2803	41233 24227 11781
Dec Mer Jun Sep	Open 98.39 98,39 98,26 98,03	Sett po 98.36 98.36 98.25 98.02	ice Ch	ange 1.02 1.02 1.03 1.02	High 98.41 98.39 98.28 98.04	98.35 99.34 96.22 96,00	5942 3778 2803 1468	41233 24227 11781 3610
Dec Mer Jun Sep	Open 98.39 98,39 98,26 98,03 E MONTH	Sett po 98.36 98.36 98.25 98.02 EURO	ice Ch	enge 1.02 1.02 1.03 1.02	High 98.41 98.39 98.28 98.04 5 (LIFFE	98.35 99.34 96.22 96.00 F) Y100m p	5942 3778 2803 1468 coints of 10	41233 24227 11781 3610
Dec Mar Jun Sep	Open 98.39 98.39 98.26 98.03 E MONTH	Sett po 98.36 98.36 98.25 98.02 EURO' Sett po	rice Ch	ange 1,02 1,02 1,03 1,02 1,02 1,02 1,03 1,02	High 98.41 98.39 98.28 98.04 5 (LIFFE High	98.35 99.34 96.22 96.00 9 Y100m p	5942 3778 2803 1468 coints of 10	41233 24227 11781 3610 0096 Open int,
Dec Mar Jun Sep THREE	Open 98.39 98.39 98.26 98.03 E MONTH Open 99.42	Sett po 98.36 98.25 98.02 98.02 EURO Sett po 98.42	Tice Chi	202 1.02 1.03 1.02 1.02 1.02 1.01	High 98.41 98.39 98.28 98.04 5 (LIFFE High 99.42	98.35 99.34 96.22 96.00 97.00m p	5942 3778 2803 1468 coints of 10 Est. vol 207	41233 24227 11781 3610 00% Open int, n/a
Dec Mar Jun Sep	Open 98.39 98.39 98.26 98.03 E MONTH	Sett po 98.36 98.36 98.25 98.02 EURO' Sett po	rice Chi 3 -0 5 -0 7 -0 7 -0 7 -0 7 -0 7 -0 7 -0 7 -0 7	ange .02 .02 .03 .02 .02 .02 ange .01	High 98.41 98.39 98.28 96.04 5 (LIFFE High 99.42 99.33	98.35 99.34 96.22 96.00 9 Y100m p	5942 3778 2803 1468 coints of 10	41233 24227 11781 3610 0096 Open int,
Dec Mar Jun Sep THREE	Open 98.39 98.39 98.26 98.03 E MONTH Open 99.42 99.33	Sett pr 98.36 98.25 98.02 98.02 EURO Sett pr 99.42 99.33 99.19	rice Chi	ange .02 .02 .03 .02 .02 .02 ange .01 .02	High 98.41 98.39 98.28 98.04 5 (LIFFE High 99.42 99.33 98.20	Low 98.35 99.34 96.22 96.00 ⇒ Y100m p Low 99.41 99.33 99.19	5942 3778 2803 1468 columns of 10 Est. voi 207 907 250	41233 24227 11781 3610 00% Open int, n/a n/a
Dec Mar Jun Sep THREE	Open 98.39 98.39 98.26 98.03 E MONTH Open 99.42 99.33 99.20	Sett pr 98.36 98.36 98.25 98.02 EURO Sett pr 99.42 99.33 99.15	tice Chi 3 -0 5 -0 6 -0 7 -0 7 -0 7 -0 7 -0 7 -0 7 -0 8 -0 9 -0 9 -0 9 -0 9 -0 9 -0 9 -0 9 -0 9	ange .02 .03 .03 .02 FTURE ange .01 .02 .01	High 98.41 98.39 98.28 98.04 5 (LIFF) High 99.42 99.33 99.20	Low 98.35 99.34 96.22 96.00 FY100m p Low 99.41 99.33 99.19 Im points of	5942 3778 2803 1468 coints of 10 Est. vol 207 907 250 of 100%	41233 24227 11781 3610 3096 Open int. n/a n/a
Dec Mar Jun Sep Bec Mar Jun Bec Mar Jun Bec Mar Jun Bec Thirds	Open 98.39 98.39 98.26 98.03 E MONTH Open 69.42 99.33 99.20 E MONTH	Sett po 98.36 98.26 98.02 98.02 98.02 EURO Sett po 99.42 99.33 99.19 ECU F	tice Chi 3 -0 5 -0 7 -0 7 -0 7 -0 7 -0 7 -0 7 -0 7 -0 7	2.02 .02 .03 .03 .02 .01 .01 .02 .01 .02 .01	High 98.41 98.39 98.28 98.04 \$ (LIFFE High 99.42 99.33 99.20 Tel Ecut	Low 98.35 99.34 96.22 96.00 9100m p Low 99.41 99.33 99.19 Im points of	5942 3778 2803 1468 coints of 10 Est. vol 207 907 250 of 100%	41233 24227 11781 3610 0096 Open int. n/a n/a
Dec Mar Jun Sep Mar Jun Dec Mar Jun Dec	Open 98.39 98.39 98.26 98.03 E MONTH Open 99.42 99.33 99.20	98.36 98.36 98.25 98.02 98.02 EURO Sett pr 99.42 99.33 99.15 ECU F Sett pr 95.90 95.91	tice Chi 3 -0 5 -0 5 -0 7 -0 7 -0 7 -0 7 -0 7 -0 7 -0 7 -0 7	ange .02 .03 .03 .02 FTURE ange .01 .02 .01	High 98.41 98.39 98.28 98.04 5 (LIFF) High 99.42 99.33 99.20	Low 98.35 99.34 96.22 96.00 FY100m p Low 99.41 99.33 99.19 points of Low 95.89 85.90	5942 3778 2803 1468 columns of 10 Est. vol 207 907 250 of 100% Est. vol 1007 919	41233 24227 11781 3610 0096 Open int, n/a n/a n/a Open int, 8719 4190
Dec Mar Sep Mar Lun Dec Mar Lun	Open 98.39 98.39 98.39 98.26 98.03 E MONTH Open 99.42 96.33 99.20 E MONTH Open 95.91 95.91 95.91 95.93	98.36 98.36 98.25 98.02 98.02 EURO' Sett pr 99.44 99.33 99.19 ECU F Sett pr 95.91 95.91	Chi	ange .02 .03 .02 .02 .01 .02 .01 .02 .01 .01 .01	High 98.41 98.39 98.28 98.04 5 (LIFFE High 99.33 99.20 E) Ecut High 95.91 95.93 95.93	B3.35 99.34 96.22 96.22 97.10m p Low 99.41 99.33 99.19 Im points o Low 95.89 85.90	5942 3778 2803 1468 columb of 10 Est. vol 207 907 250 of 100% Est. vol 1007 919 253	41233 24227 11781 3610 3610 3696 Open int, n/a n/a Open int, 8719 4190 2536
Dec Mar Jun Sep Dec Mar Jun Dec Mar Jun Dec Mar Jun Dec Mar Sep De	Open 98.39 98.39 98.39 98.29 98.20 E MONTH Open 99.42 99.33 99.20 E MONTH Open 95.91 95.92 95.93 95.84	Sett pr 98.36 98.26 98.02 98.02 EURO Sett pr 99.42 99.33 99.19 ECU F Sett pr 95.91 95.91 95.91	100   100	ange .02 .02 .03 .02 .01 .01 .01 .5 (LIFF ange .01	High 98.41 98.39 98.28 98.04 5 (LIFFE High 99.42 99.33 99.20 E) ECUT High 95.91 95.93	Low 98.35 99.34 96.22 96.00 FY100m p Low 99.41 99.33 99.19 points of Low 95.89 85.90	5942 3778 2803 1468 columns of 10 Est. vol 207 907 250 of 100% Est. vol 1007 919	41233 24227 11781 3610 0096 Open int, n/a n/a n/a Open int, 8719 4190
Dec Mar Jun Sep Dec Mar Jun Dec Mar Jun Dec Mar Jun Dec Mar Sep De	Open 98.39 98.39 98.39 98.26 98.03 E MONTH Open 99.42 96.33 99.20 E MONTH Open 95.91 95.91 95.91 95.93	Sett pr 98.36 98.26 98.02 98.02 EURO Sett pr 99.42 99.33 99.19 ECU F Sett pr 95.91 95.91 95.91	100   100	ange .02 .03 .02 .02 .01 .02 .01 .02 .01 .01 .01	High 98.41 98.39 98.28 98.04 5 (LIFFE High 99.33 99.20 E) Ecut High 95.91 95.93 95.93	B3.35 99.34 96.22 96.22 97.10m p Low 99.41 99.33 99.19 Im points o Low 95.89 85.90	5942 3778 2803 1468 columb of 10 Est. vol 207 907 250 of 100% Est. vol 1007 919 253	41233 24227 11781 3610 3610 3696 Open int, n/a n/a Open int, 8719 4190 2536
Dec Mar Jun Sep Dec Mar Jun Dec Mar Jun Dec Mar Jun Dec Mar Sep De	Open 98.39 98.39 98.39 98.29 98.20 E MONTH Open 99.42 99.33 99.20 E MONTH Open 95.91 95.92 95.93 95.84	Sett pr 98.36 98.26 98.02 98.02 EURO Sett pr 99.42 99.33 99.19 ECU F Sett pr 95.91 95.91 95.91	100   100	ange .02 .03 .02 .02 .01 .02 .01 .02 .01 .01 .01	High 98.41 98.39 98.28 98.04 5 (LIFFE High 99.33 99.20 E) Ecut High 95.91 95.93 95.93	B3.35 99.34 96.22 96.22 97.10m p Low 99.41 99.33 99.19 Im points o Low 95.89 85.90	5942 3778 2803 1468 columb of 10 Est. vol 207 907 250 of 100% Est. vol 1007 919 253	41233 24227 11781 3610 0096 Open int, n/a n/a 0pen int, 8719 4190 2536
Dec Mar Jun Sep Dec Mar Jun Dec Mar Jun Dec Mar Jun Dec Mar Sep De	Open 98.39 98.39 98.39 98.29 98.20 E MONTH Open 99.42 99.33 99.20 E MONTH Open 95.91 95.92 95.93 95.84	Sett pr 98.36 98.26 98.02 98.02 EURO Sett pr 99.42 99.33 99.19 ECU F Sett pr 95.91 95.91 95.91	100   100	ange .02 .03 .02 .02 .01 .02 .01 .02 .01 .01 .01	High 98.41 98.39 98.28 98.04 5 (LIFFE High 99.33 99.20 E) Ecut High 95.91 95.93 95.93	B3.35 99.34 96.22 96.22 97.10m p Low 99.41 99.33 99.19 Im points o Low 95.89 85.90	5942 3778 2803 1468 columb of 10 Est. vol 207 907 250 of 100% Est. vol 1007 919 253	41233 24227 11781 3610 3610 3696 Open int, n/a n/a Open int, 8719 4190 2536
Dec Mar Jun Sep Dec Mar Jun Dec Mar Jun Dec Mar Jun Dec Mar Sep De	Open 98.39 98.39 98.39 98.29 98.20 E MONTH Open 99.42 99.33 99.20 E MONTH Open 95.91 95.92 95.93 95.84	Sett pr 98.36 98.26 98.02 98.02 EURO Sett pr 99.42 99.33 99.19 ECU F Sett pr 95.91 95.91 95.91	100   100	ange .02 .03 .02 .02 .01 .02 .01 .02 .01 .01 .01	High 98.41 98.39 98.28 98.04 5 (LIFFE High 99.33 99.20 E) Ecut High 95.91 95.93 95.93	B3.35 99.34 96.22 96.22 97.10m p Low 99.41 99.33 99.19 Im points o Low 95.89 85.90	5942 3778 2803 1468 columb of 10 Est. vol 207 907 250 of 100% Est. vol 1007 919 253	41233 24227 11781 3610 3610 3696 Open int, n/a n/a Open int, 8719 4190 2536

WORLD INTEREST RATES

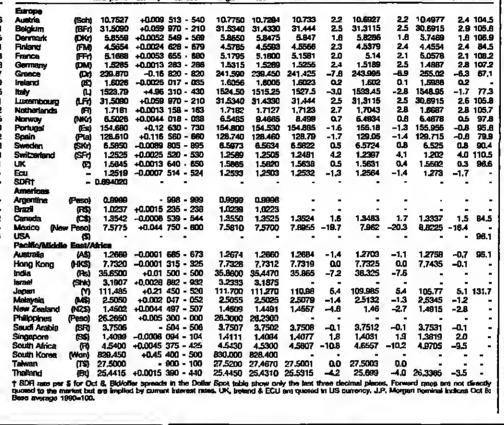
One year

3<u>2</u> 3<u>2</u> 3<u>1</u>

Lamb. Inter.

6.00 6.00 3.35

Oct 9 .	. :	Closing '	Change	Bid/offer	Day's	Mild	One m	ionth	Three	months	One ye	mar E	ank c
		mid-point	on day	apreed	high	law	Rate	%PA	Rate	%PA	Rate	%PA	
Europe													
Austria	(Sch)	16.8225		150 - 300	16.8602		19.779	3,1	16.7225	2.4		-	10
Belglum	(BF1)			618 - 304	49.3305			2.8	48.9509	2.8	47.9309	2.8	10
Denmark ·	(DKr)	9.1619		571 - <b>66</b> 0	8.1773	9.1435	9.1443	2.3	9.1127	2.1	8.9744	2.0	10
Finland .	(FM)	7.1425	+0.0097		7.1540	7.1230	-	-	-	-	-		
Frence	(FF4)	8.0834		788 - 879	a 1085	8.0641	8.0667	2.5	9.038	2.3	7.8983	2.3	10
Germany	(DM)	. 2.8913	+0.0041		2.3963	2.3864	2.3858	2.8	2,3746	2.8	2.3247	2.8	10
Greece	(Dr)	375.277		079 - 475		374.361		-		-		-	6
retend	(142)	0.9783	+0.0024		0.9773	0.9742	0.9761	0.2	0.9758	0.2	0.873	0.3	70
italy	(J)	2383.83	+9.74		2385.50	2368.48	2388.88	-2.5	2397.43	-2.3	2418.83	-1.5	7
Luxambourg	(LFr)	49.2959	+0.1332	613 - 304	49.3305	49,1450	49,1759	2.8	48,9500	2.8	47,9309	2.8	10
Netherlands	(FI)	2.6848	+0.0043	835 - 860	2.6880	2.6786	2.6778	3.1	2.6845	3.0	2,6059	2.6	10
Norway	(NKI)	10.1736	+0.0163	688 - 784	10.2445	10.1227	10.1696	1.2	10.1521	0.8	10,1001	0.7	
Portugal	(Es)	241,997	+0,389	841 - 163	242.181	241.561	242.242	-1.2	242,622	-1.0		-	9
Spein	(Pta)	201.210	+0.347	066 - 353	201,488	200.811	201.41	-1.2	201.745	-3.1	202.46	-0.9	ē
Sweden	(SKI)	10.3023	-0.0052	919 - 126	10.3130	10.2619	10.3015	0.1	10.2986	0.1	10.2911	0.1	Ē
Switzerland	(SFI)	1,9595	+0.0055	581 - 609	1.9671	1.9552	1.952	4.8	1.9382	4.3	1.8771	42	11
JK	(E)	-		,					1				ï
cu		1,2497	+0.0017	488 - 508	1.2512	1.2474	1.2479	1.8	1.2444	1.7	1.2267	1.8	•
SDRt	: -	1,083990									1420		
Americas									_	_	_		
Vigentina .	(Pego)	1.5843	+0.0013	637 - 848	1.5663	1.5618			_	_		_	
razi	(FISS)	1.6015		008 - 022	1,6022	1.5970				- :		-	
Censda	(C\$)	2.1196		175 - 196	2.1210	2.1148	2.1149	2.1	2.1078	20	2.0818	1.7	8
	Peacl	11.8550		478 - 927	11.8630	11,7781	21148	2.1	2,10/6	20	2.0010	1.7	0
JSA	(6)	1.5645		640 - 650	1.5665	1.5820	1.5638	0.5	1,5631	0.4	1.5502	0.3	8
Pacific/Middle			704013	640 - 650	1,2000	1.0020	1.3636	0.5	1.2031	U.4	1.5042	U.S	•
Lustralia	(A\$)	1.9820	AD 0014	807 - 893	. 1.9847	1.9726	1,9896	-1.0	1,986	-0.8	4 0000	-0.5	-
		12.0968									1,9919		93
long Kong	(HK\$)			921 - 014	12.1116	12.0785	12.0927	0,4	12,0896	0.2	12.1008	0.0	
ndia	(Fla)	55,7746			56.1055	55.4420	-	-	-			-	
srael .	(Shk)	4.9919		883 - 874	6.0801	4.9850							
lapen	m	174,418		308 - 529	174.600	173.940	173.568	5.8	171_956	5.6	165.173	5.3	130
Antayela	(MS)	3.9180		174 - 206	8.9228	3.9097							
lew Zeelend	(NZS)	2,2669	+0.0088		2.2705	2,2565	2,2767	-4.1	2,2906	-3.8	2.9291	-2.7	109
hilippines	(Peso)	41.0919		237 - 595	41.1606		-	-	-	-		•	
audi Arabia	(SH)	5.8677		<del>856 - 697</del>	5.8746	5.8584	-	•	-	•	-	-	
ingapore	(55)	2.2058		043 <b>- 073</b>	2.2080	2 2022		-	-	-	-	-	
outh Africa	(Pt)	7,1029	+0,013	967 - 060	7.1091	7.0817	-	-	-	-		-	
outh Konsa	(Won)	1297.87	+1.78	718 - 817	1299.26	1295,26	-	-		-	-	-	
alwan	(TS)	43,0238	+0.0358	944 - 532	43.0646	42.9441		-	-	-	-	-	
helland	(Bt)	39.8033	+0.0355	886 - 199	39.8440	39,7340	-	-		-	-		
Rates for Oct 9 is implied by 6 ind-rates in both	terrent in	creat paten.	Starting inc	ax calculated	by the Ban	k of Englan	d. Bene to	erage 19	100L = 100L	Index rel	ossed 1/2/1	15. Bid,	Offer



CROSS	RAT	ES A	ND DE	RIVA	TIVES	3													-
EXCHA																		-	Peter
Oct	9	BFr	DKr	FFr	DM	E,	L,	Ħ	NKr	Es	Plu	SKr	SFr	£	C\$	*	<u> Y</u>	Ecu	11.
telahum	(BFr)	100	18.58	16.40	4.850	1.980		5,446	20.63	490.9	408.1	20.89	3.976	2.028	4.298	3,174		2.535	11
onmark.	(DKr)	53.81	10	8.822	2.610	1.065		2.931	11,10	264.1	219.6	11.24	2139	1,091	2.313	1.706	190.4	1.364	11
anco	(FFr	69,08	11.33	10	2.958	1,207	2949	3.322	12.58	299.4	248.9	12.74	2,425	1.237	2.622	1.936		1.546	1/2 hour period
ennerry	(DMI)		3.832	3.381	1	0.408		1.123	4.253	101.2	84.15	4.308	0.820	0.418	0.886	0.655		0.523	endre
pland	(12)	50.51	9.387	8.282	2.450	1	2443	2.751	10.42	248.0	206.1	10.55	2.008	1.025	2.171	1.603		1,281	003Q 0100
dy	(4.)	2.068	0.384	0.339	0.100	0.041	100.	0.113	0.427	10.15	8.440	0.432	0.082	0.042	0.089	0.066			0130
stherlands	(FI)	18.36	3.412	3.010	0.891	0.364	887.9	1	3,788	90.13	74.93	3.836	0.730	0.372	0.789	0.583	64.95	0.466	0200
DEMORTS'	(NKI)	48.48		7.948	2.351	0.960	2344	2.640	10	238.0	197.8	10.18	1.927	0.983	2.084	1.539	171.5	1.229	0230
ctugal	(Es)	20.37	3.786	3.340	0.988	0.403	985.1	1.110	4,202	100.	83.14	4.256	0.810	0.413	0.876	0.647	72.07	0.517	0300
entre .	(Pta)	24.50		4.017	1,188	0.485	1185	1.334	5.055	120.3	100.	5.119	0.974	0.497	1.053	0.778		0.621	0400
vacion	(516)	47.86		7.848	2.321	0.948	2315	2.607	9,874	235.0	195.3	10	1.903	0.971	2.067	1.518	160.3	1.214	0430
vitzeriand	(SFr)	25.15		4.124	1.220	0.498	1218	1.370	5,189	123.5	102.7	5.255	1	0.510	1.081	0.798	99.98	0.638	0500 0530
<	(2)	49.30		8.083	2.391	0.978		2.685	10.17	242.0	201.2	10.30	1.960	1_	2.119	1.565		1.250	0606
mada	· (C\$)	23.27		3.816	1.128	0.461	1125	1.267	4.789	114.2	94.95	4.861	0.925	0.472	1	0.738	92.30	0.590	0600
5	(5)	31,50		5.165	1.528	0.624	1523	1.719	6.498	154.6	128.6	6.581	1.252	0.639	1.354	1	111.4	0.717	0700
pen	m	28.27			1.371	0.560	1367	1.540	5.831	138.9	115.4	5.908	1.124	0.573	1.215	0.667 1.252	100. 139.5	0.717	0730
:U		39.44			1.913	0.761	1907	2.148	8.136	193.6	161.0	8.240		0.000	1.090	2.12	138.5		0830
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SHORT STERL	MC O	PTIONS (	LIFFE) £500.	000 pc	oints of 100%	
160e D.1	ec  2  2	O.14 0.06	Jun 0.18 0.10	0.07 0.22 0.46	PUTS	lun .45 .62 .62 .635
	ВА	SE LE	NDING	RAT	EŜ	%
	~		Popular Bank		NatWestninster	5.75

5.75 eRobert Flaming & Co 5.75 eSmith & Wilmon Secs 5.75

Scottish Widows Bank 5.75

Price

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int Bix of Mid East Bixwn Shipley & Co Ltd Albank NA Nydeodate Bank Trie Co-operative Bank Joutta & Co	5.75 5.75 5.75 5.75 5.75 5.75 5.75 5.75	#Hambire Bank 5.75 Heritable & Gen Inv Bk.5.75 Western T Whiteway Yorkshire i Hongrang & Shanghel 6.75 Hongrang & Shanghel 6.75  # Membe	rust 5.75 y Leidlew 5.75 Bank 5.75 rs of London nent Banking
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**Ulied Trust Bank** 

Menny Ansbache

Dec Mar	1,5814	1.5	630 +0.0 612 -		5652 5640	1,5810 1,5600	2,554 10	44,474 83
Mar Jun	Ξ		612 - 606 -		5640		4	2
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ems e								
Oct 9		cen. tes	Rate against Ect	Char u on d		cen. rate		est ind.
						-1.09	2.4	
ireland Portugal	0.79	2214 5.792	0.783548	-0.000	069	-0.79	2.1	_
Spain		.488	161.538		017	-0.58	1.9	
Netherland	£ 2.1	5214	2,15593	+0.00		0.19	1.19	
Belgium		3960	39.5714	+0.0		0.45	0.9 0.7	
Austria Germany		4383 1007	13,5192 1,92137	+0.00		0.59	0.7	
Denmerk		8580	7.38054	+0.00	493	1.03	0.3	4 –7
França	6.4	8080	6.49352		163	1,38	0.0	0 -11
NON ERM	MEMBE	200						
Greace		867	301,428	+0.	334	2.92	-1.5	
inty	210	6.15	1906,98	-	1.27	-9.38	11.8	3 -
IK .	0.78	9852	0.802221	-0.003		1.96	+0.6	o – trength.
cu central san	is est by t inges are	the Surci	sean Commiss a positive che	nge denoti		k cumency.C	Avergence of	
Percentage chi patreon two si purenzy, and t	preside th	e bercei	age difference	e between	the actua	ei market an cumanción i	d Ecu centri merket mite t	il rates for a rom its Ecu
central rate.		mu ben					- the firm	alal Tlance
17/9/92) Start		SE E	S OPTIO	NS 231,2	50 (ce	ups be. br cerement	oy ine rate	CHI ITTRES.
Strike			CALLS -				PUTS	
Price	O	<b>*</b>	Nov	Dec	(	Oct	Nov	Dec
1.540	2.2	26	2.37	2.52			0.11	0.35
.550	1,2		1.57	1.65	_		0.32	0.63
_560	0.5	36	0.84	1.26		.07	0.68	1.04 1.58
.570	0.0		0.48	0.80		1.87 1.61	1.24	2.24
1.580 Previous day/t			Duen 4 977					
TOVIOUS LINY	. va., ca	- a,uu	7-122 4,517	1100.00				
THREE		e Cale	ODOLLAR	MMM S	m boi	nts of 100	96	
					igh .	Low		Open in
	Open		set Char 37 +0.0		.39	94.34	48,118	489,903
)ec	94.36 94.28	94			.31	94.26	57,391	873,911
<b>Ae</b> r Iun	94.14	94			.18	94.13	31,073	271,043
	•	•		<b>-</b>				
US TRE	ASURY	BELL	FUTURES	(IMM) 51	u ber	100%		
		84	90 -0.0	22 94	.92	94.81	574	4,269
<b>\</b>	94 92			_	_	94.79	61	1,606
	94.92	94.	80 -					862
/ter Lun	=	94.	<b>6</b> 6 -	_	.67	-	35	
Alar İyan Jil Osen İmler	- - rest fice.	94. are for	66 - previous day	,		-	35	
Alar İyan Jil Osen İmler	- - rest fice.	94. are for	66 - previous day	,		100%		
Ver in Den inter Den inter	est figs.	B4. Me for PTRON	66 - previous day 8 (LIFFE) D CALLS -	M1m po	ints of	100%	PŲTS	Me-
Mar Jun II Open Inter II EUROIL Strike	- - rest fice.	94. are for	66 - previous day 8 (LIFFE) D	,		100% Nov	PUTS	Mar
Mar Jun Jun Open Inter Strike Price 1675	Oct	Nov 0.14	68 - previous day 8 (LIFFE) D CALLS - Dec 0.15	Mar 0.21	Oct	100% Nov 0.02	PUTS Dec 0.03	0.11
700	Oct 0.12	Nov 0.14 0.02	56 - previous day 8 (LIFFE) D CALLS - Dec 0.15 0.03	Mar 0.21 0.09	Oct	100% Nov 0.02 0.15	PUTS Dec 0.03 0.16	0.11 0.24
Alex Jun Ji Open Inter I EUROSE Strike Hice 1675	Oct	Nov 0.14 0.02	56 previous day 5 (LIFFE) D  CALLS Dec 0.15 0.03	Mar 0.21 0.09	Oct 0 0.14 0.38	100% Nov 0.02 0.15 0.38	PUTS Dec 0.03 0.16 0.38	0.11 0.24 0.43
Alex Jun Jun Open Inter July Strike Hice 675 7709 7725	Oct 0.12	Nov 0.14 0.02	S (LIFFE) D CALLS Dec 0.15 0.03	Mar 0.21 0.09 0.03	Oct 0 0.14 0.38	100% Nov 0.02 0.15 0.38	PUTS Dec 0.03 0.16 0.38 376065 P	0.11 0.24 0.43
Mer Jun Doen Inter EUROBA Strike Mice 675 1706 1725 St. vol. total, EURO Si	Oct 0.12	Nov 0.14 0.02	66 previous day 8 (LIFFE) D  CALLS Dec 0.15 0.03 0 so 10590. Pri OPTIONS	Mar 0.21 0.09 0.03	Oct 0 0.14 0.38	100% Nov 0.02 0.15 0.38 int. Cals	PUTS	0.11 0.24 0.43
Agrical Agrica	Oct 0.12 0.01 Calc 22 WISS F	Nov 0.14 0.02 0 127 Pur	66 - previous day 8 (LIFFE) D  CALLS - Dec 0.15 0.03 0 s 10590. Pri OPTIONS  CALLS -	Mar 0.21 0.09 0.03 mioue da (LIFFE)	Oct 0 0.14 0.38 /s open	100% Nov 0.02 0.15 0.38 n int. Calls	PUTS Dec 0.03 0.16 0.38 376065 P	0.11 0.24 0.43
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Adar Juni Juni Open Inter Strike Hotos 1675 1706 1725 Set, vol. total I EURO Si Trike 1850	Oct 0.12 0.01 0 Cale 22 W/155 F	Nov 0.14 0.02 0 127 Pur RANC	58 previous day 5 (LIFFE) D  CALLS Dec 0.15 0.03 0 ss 10590. Pm OPTIONS  CALLS Merr 0.15	Mar 0.21 0.09 0.03 evicus de (LIFFE)	Oct 0 0.14 0.38 /s open SFr 1m	100% Nov 0.02 0.15 0.38 n int. Calls	PUTS	0.11 0.24 0.43 0.43 286416
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1 1	rowional Price for ording on 10,19,8	First Prices 6 on 120	er Tranting 19.96
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period	purpere price (yanni	Carton	price Drive
0030	14.77	9.05	0.05
0100	11.80	9.01	6.01
0200	13.01	8.98	8.98
0230	13.01	8.96	89.8
0300	11.81	8.96 8.96 8.96 8.96 8.96 8.96	8.98
0400	13.01 13.01 11.61 11.60 11.60 11.60		8.96 8.98 8.98 8.98 8.96 8.96 8.96 8.96
0490 0500	11,80 11,80	89.8	8.96
0530		89.8 89.8 00.8	9.00
0600 0600	11.82 14.75		9.00 8.01 5.04 14.82 16.13 39.49
0700	17.78	9.04 12.42 13.44 35.65 48.46	14.82
0730 0800	16.75 43.02	13.44	16.13
0830	50.17 51.91 51.39	49.46	
0930	51.91	61.63 74.28	69.34
1000	50.85	85.90	69.34 84.24 96.00
1030	45 39	86.65	97.59
1100	25.09 25.28 44.36	73.52 75.95 83.09	97.59 84.22 87.05 94.00
1200	44.38	83.09	94.00
1230 1300	43.51 22.63	77,44 65,42	73.56
1530 1400 1430 1500 1500 1630 1700 1730	22.63 20.86	48.66 34.20 30.19 29.33 32.07 35.16 61.41 62.61 62.61 66.83 15.40 27.30 46.82 52.80 46.76	67.33 73.56 54.99 39.37 34.79 38.76
1400	19.62	34.20	39.37
1500	19,40 16,80	29.33	33.78
1500	21.13	32.07 35.16	33.78 30.91 44.20 68.58 59.80 63.17 35.49 20.26
1630	21.13 23.72 45.84	61.41	68.58
1730	45.84	62.61 68.00	68.80
1300 1830	45.69 40.15 31.24 73.37	31,86	35.49
1900 1930	73.37	15.40	18.48
1930	87.04	27.30	18.48 51.17
2030	60.09	52.80	52.16 58.11
2100	60.08 47.58	48.76	54.41
2130 2200	18.08	39.00 13.61	42,45 16.11
2020	17.70	12 85	15.37 14.79
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pic ("NGC") with incentives to manege certain elemente of the manege certain elements of the costs that arise as a result of the difference between actual generation despatched on any particular day and the idealised day ahead forecast generation schedule. These additional costs tall within what is known as "Upillit". NGC eleo hes forestitute to menore enemy lesses. known as "Upilit". NGC eleo hes incentives to manage energy losses incurred on the high voltege transmission network within England and Wetes. The Transmission Scruces Schame was agreed between NGC and members of the Electricity Pool and runs for twelve months from 1st April 1996 until 31st March 1997 Johnson March 1997 inclusive The total level of Uptift during Augus 1996 was £47,770,000. The level of Uplift in respect of which NGC was incentivised, during August 1995 was \$23,605,248. The total payment to NGC, from Electricity Pool Suppliers, as a result of the Transmission Services me operating in August 1999 Scheme operating in August 1999 was £1,329,309.
The Transmission Services Scheme Includes incentives to control Transmission Losses. The payment to NGC for the management of Transmission Losses in August 1996 was 2636,623. Payments under the Transmission Services Scheme are made and determined in accordance with the Electricity Pooling and

6789.

Softiement Agreements in England and Wales. The calculation of the payments is a highly complete process, which may be subject to revision or correction, and therefore no reliance should be placed upon these figures as an indicator of the performance of The Netional Grid Compeny ptc, or tor eny other purpose whetsoever. The tigures reported above are rounded to the nearest pound. Further information may be obtained by contacting Energy Settlements and Information Services Ltd, Telephone 0115 945

on Losses in August 1998

THE NATIONAL

Reporting Of The Transmission Services Scheme Results

The Transmission Services Scheme provides The National Grid Company

Published by Energy Settlemsni and Information Services Limited wholly owned subsidiary of The

### FIRST HALF 1996

The TF1 Board of Directors met on October 8, 1996 under the chairmanship of Patrick Le Ley to examine the accounts for the

TF1 Group	Fir	% change	
(in FF million)	1996	1995	96/95
Consolidated turnover	5,002	4,604	+ 8.6%
TF1 advertising	3,959	3,807	+ 4.0%
Diversification	1,043	797	+ 30.8%
Earninge before tax and ext. items	687	649	+ 5.8%
Net profit (attributable to the Group)	425	401	+ 5.9%

Since TF1 Group's activities are seasonal, first-half revenues and costs cannot be extrapolated for full year projections. The second half evolution depends on global economical conditions which are

TF1 scored 90 out of the top 100 Prime Time ratings during the first nine months of the year.

Programming costs rose 1.5% over the period.

Diversification activities continued to develop with a 31% growth. At the end of 1995, TF1 acquired 60% of the Glern Group. The latter le consolidated since Januery 1st, 1996. Excluding the Glern Group, diversification activities grew by 22%. With 5 new linguistic versions launched since the beginning of the

with a new anguistic versions launched since the beginning of the year, EUROSPORT is now broadcast in 13 languages to 68 million households and ganarates growing cable and satellita fae revenues. Advertising revenues posted above 50% growth thanks to major events during the first half (Euro 96, PTA Tour). Publishing - Distribution activities continued to expand despita

weakness in consumer spending. TF1 owns 25% of TPS (Télévision Par Satellite), e new company which will offer digital programmes and services. This company

was constituted on June 19th, 1996 and is preparing the launch of its package for the and of the year.

The Board of Directors agreed to the constitution of the TCM company, owned by TF1 (34%), CLT (33%) and M6 (33%). TCM will acquire and exploit audiovisual rights. TPS and TCM eigned an exclusive contract with Peramount Studios for supply of films on September 30, 1998. TPS also signed a contract with MGM Studios for supply of films on October

7, 1996. stor Relations Department: phone 33.1.41.41.27.32

E-mail: comfl@fl.fr

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Jun

0.10

0.20

Dec

0.27

0.14

Jun

1.15

0.81 0.61

0.14



Cayman Limited Guaranteed Step-Up Floating Rate Notes due January 2001

For the incerest period 9th October, 1996 to 9th January, 1997 the Notes will energy an interest rate of 6,13125% U.S. \$78.34 per U.S. \$5,000 montantion Note and U.S.\$1,566.88 per U.S. \$100,000 Den wystłe on 9th January, 1997. Listed on the Lucustering Stock Code Benkers Trees Company, London

CDR ENTREPRISES (Anciennement ALTUS FINANCE S.A.) JPY 20,000,000,000.-Fixed/Floating Rate Notes Due 1999

Rondholders are hereby informed that the rate for the coupon N°9 has been fixed at 0.80 % for the period starting on 09.10.1996 andi 08.01.1997, inclusive senting a period of 92 days).

The coupon will be payable on 09.01.1997 at the price of JPY 204,444.-The Fiscal and Principal Paying Agent

CREDIT LYONNAIS

CREDIT COMMERCIAL DE FRANCE FRF 500 000 000 REVERSE FLOATER BONDS DUE 1998 ISIN CODE : XS0043048882 For the period October 08, 1996 to April 08, 1997 the new rate has been fixed
at 10,35634 % P.A.
Next payment date:
April 08, 1997
Coupon of: 7
Amount: FRF 520,69 for the

denominating of FRF 10 000 FRF 5 206,94 for the commation of FRF 100 000 FRF 26 034,69 for the nation of FRF 500 000 THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG 11-13, Avenue Emile Renter L-2420 LUXEMBOURG

### COMMODITIES AND AGRICULTURE

# **Explorers flock to Shetlands**

By Robert Corzine

The UK's newest oil province West of the Shetland Islands has attracted the greatest amount of exploration activity over the past three months, according to a new study by the Arthur Andersen consul-

There has been much speculation in the UK oil industry about whether any major discoveries bave been made in the area, hut most oil companies have kept the results of their exploration programmes secret. Interest in the area remains strong, howaver, with seven new exploration wells launched in the third quarter of the year, more than in any other UK off-

The report notes that most recent drilling activity in UK waters has been focused on exploration, with wildcat wells accounting for three of every four wells launched between July and the end of September. Two discoveries were recorded in that period. the report says.

Exploration and appraisal activity has been generally strong across northwestern Europe this year, with dril-

On August 28 the govern-ment said its geologists had

found high-grade nickel-cop-

per-cobalt showings 60 miles

north of Sept Iles. They took

surface samples in a 25 sq

km area staked completely

by government teams ear-

ned all staking in the 800 sq

The government then ban-

from the sama period last year. Norway was a noticeable exception, bowever. with a 28 per cent fall in drilling activity compared with 1995

The Netherlands has seen a burst of exploration and development activity, with overall drilling levels recording a 175 per cent rise on 1995, and the number of exploration wells up by almost 300 per cent.

Meanwhile, another new report suggests that the present gas surplus in the UK is likely to persist until at least the end of 1998,

Scores of mining companies

out from Sept Iles.

pipeline linking Britain with continental European markets is due to be completed. The report on the UK gas industry by the Oxford Institute for Energy Studies pre-dicts that the dispute that

offers owners of surplus gas an export route, the report says lower continental European prices might make such exports unprofitable.

### has arisen between British Gas and big North Sea gas producers over £40bn of take-or-pay contracts will not be solved by the emergence of a new export pipe-

line. Although the pipeline

### Staking rush begins as Quebec ends freeze and a dozen men out there km area around the find. immediately," said Mr Pierre

Ganthier, chairman of the St stood by for weeks waiting Genevieve Resources group for the freeze to be lifted. Every helicopter in the area which has been working north of Sept Iles for two years. "We've already got was rented. The release more than 1,000 claims outside the 800 sq km perimeter

came at 7am without warning and scores of helicopters and staking crews moved and copper-nickel showings "We had two helicopters on some."

# Australia plans native title veto

By Nikki Tait in Sydney

By Robert Gibbens in Montreal

A big staking rush began

yesterday morning after the

Quebec government lifted a

six-week exploration freeze

on a 800 so km area north of

Sept Iles, the St Lawrence

iron ore shipping port 700

miles north-east of Montreal.

Negotiations between aboriginal native title claimants and mining companies could be overridden by a federal minister if these threatened a project of "major eco-nomic benefit" to Australia, under a set of proposed legisamendments announced by the govern-

Outlining the controversial changes in parliament, Mr John Howard, Australia's prime minister, said that this addition to Australia's three-year-old Native Title Act was specifically designed to prevent a repeat of the

Century mine situation. Century is a potential A\$1.1bn (US\$865m) zinc mine development in Queensland. being proposed by RTZ-CRA,

COMMODITIES PRICES

the Anglo-Australian mining group. The project has been held up for months because lack of agreement between local aboriginal claimants and RTZ-CRA

The mining company had originally been trying to strike a deal outside the lengtby formal processes laid down by the 1993 Native Title Act, but has now invoked these

To prevent a repeat of the Century situation, the [federal] minister for aboriginal and Torres Strait islander affairs will be able to ensure that a project of major economic benefit to Australia can proceed if it appears that that benefit will be lost if a decision is not made urgently," Mr Howard said. Other amendments to the

Native Title Act being pro-

posed by Australia's new conservative federal government include a streamlining of the "right to negotiate" process, which lays out a formal process for talks between would-be developers

and claimants. "The process will be streamlined. . . to ensure that it is only necessary for a mining project to go through the process once, and that negotiations with native title holders. . . focus on the actual impact of the mine on their native title."

said Mr Howard.

The amendments come almost three years after Australia's federal parliament passed the Native Title Act which, for the first time. recognised aboriginal native

mining companies - and other would-be land developers - claim that the process ia too cumberaome and threatens to drive investment overseas.

Confusion over whether past grants of pastoral leases extinguish native title rights has compounded their difficulties, while no aboriginal claim has yet been successfully resolved - although a number of claimants have reached settlements with mining companies.

However, the amendments are set for a stormy passage in parliament. The new Liberal-National coalition government does not have a senate majority and the attitude of the minor parties and independents, who bold title rights and set up a sys-tem for handling claims. But the balance of power there, will be critical.

SOFTS

■ COCOA LIFFE (C/tonne)

# Britain's landfill tax raises stakes for compost makers

The government hopes that 1m tonnes of organic waste will be recycled annually by the year 2000, writes Alastair Guild

substitute for conventional

inputs for most farmers'

ha British government's recent imposition of a landfill tax has been increasingly exercising the minds of those responsible for waste disposal. The government hopes that 1m tonnes of organic waste alone will be recycled annually by the year 2000, with agriculture expected to provide the main

Some authorities have already commissioned dedicated composting plants. committing themselves to varying degrees of centralised sorting and processing.

A company launched last month is seeking to harness a growing interest in separation of materials at source and then composting on-

The Organic Resource Agency will aim to promote long term contracts for organic municipal waste, among both organic and conventional farms. The ORA is a subsidiary of the Elm Farm Research Centre in Berkshire, which has piloted on-farm composting schemes involving householders and industry, local authorities, waste management companies and farmers. Its organic advisory service is already working with farms covering some 20,000 hectares.

Source separation comhined with on-farm composting are seen as important steps in reassuring farmers about the cleanness, nutritive value and environmental impact of the compost.

"Farmers will be offering a service rather than a market, in the early days at least," says Mr Hugh Bulson. ORA's managing director. He has worked for EFRC of potential sites for the since 1992 as a farm adviser and research project manager, "Waste management companies already collect ates three to four tonnes of

millions of tonnes of organic such waste a week. waste, but recognise that processing of the waste is not necessarily part of their

"In my experience, most farmers would be loath to pay for such material. They would certainly be reluctant to spread it on their land were they unsure where it came from and what it contained. Contamination as

apparently innocuous as vacuum cleaner dust can lead to a build up of heavy metals in years; 'Compost is likely to be a supplement to, rather than

the soil. Delivery of the raw • Compost should be supmaterial to a holding. backed up by laboratory analysis, gives a farmer ample opportunity to see what the compost is actually made of."

Now Wokingham and South Hams District Councils have commissioned feasibility studies on on-farm composting schemes for their districts and a number of other local anthorities are considering similar proposals. The company is also in negotiation with waste management companies such as Biffa Waste Services, Cleanaway and Wyvern Waste Services to integrate the separate collection of organic waste with the development

of on-farm composting. J. Sainsbury, meanwhile, has asked ORA to identify and advise on the operation composting of vegetable waste from their stores, Each store typically gener-

"Putricible" waste will attract the highest rate of landfill tax, £7 a tonne. Snch waste generates methane and leachate and can cause subsidence if left to decompose in the ground. There are three likely out-

lets for compost: The Composting Association would like to see 40 per cent of domestic properties with a garden home-composting within the next ten

plying 40 per cent of the gar-

dening market for non-peat

based soil improvers and

growing media by the year

The agricultural sector

alone could absorb over 98

per cent of waste-derived

compost, according to Mar-

kets for Composts and Diges-

tates Derived from Organic

Municipal Waste, published

by the Department of the

Environment. But there is,

as yet, no national certifica-

tion or standard for compost.

to utilise available labour

and existing infrastructure

sucb as concrete pads.

redundant buildings or

weighbridges," says Mr Bul-son. Farmers will be paid a

gate fee for taking the com-

post. The recycling credit

received by the waste disposal authority, equivalent to a landfill cost from

October of £20 to £25 a

JOTTER PAD

"The idea is for the farmer

The material will need screening and, if particularly woody, may need shredding. The 'windrows', or clongated heaps, also need regular turning for aeration. Each piece of equipment may cost upwards of £100,000, so most farms are likely to hire.

vided by the farmer.

Compost from the pilot schemes has contained useful levels of nitrogen, phosphorous and particularly useful levels of potassium at over 2 per cent of dry matter. It is also close to achieving carbon/nltrogen ratios that allow sufficient release of the nitrogen without sig-

nificant leaching. "Compost is likely to be a supplement to, rather than substitute for conventional inputs for most farmers, more to do with soil structure," says Mr Bulson, Each acre of arable land could be expected to benefit from at least ten tonnes of compost. It will improve moisture and .. nutrient retention in the medium to long term in sandy soils, for example, and make clay soils easier to cultivate, particularly when

Mr Bulson doubts if compost from the large, centralised composting plants being built by some waste disposal authorities and largely handling "co-mingled" waste (waste not separated at source) will provide farmers with the reassurance they need on physical contamination or beavy metal levels.

"If we want agriculture to realise its undeniable potential for solving the problem of organic waste disposal, we need to work with farmers right from the beginning." be says.

The Organic Resource . tonne, will be passed on to Agency: Tel. 01488 658298. cover the cost of service pro- Fax, 01488 658503

2. 安可度设置力

### BASE METALS LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading) M ALUMINIUM, 98.7 PURITY (\$ per toxie) 1286 5-7.5

Close	1266.5-7.5	1320-1
Previous	1308.5-09.5	1342.5-43.0
High/iow	1308.5	1350/1315
AM Official	1308-8.5	1341-2
Kerb clase		1323-4
Open int.	222,437	
Total daily turnover		
ALUMINIUM A	LLOY (S per to	nne)
Close	1175-65	1200-05
Previous	1195-205	1215-25
l-tigh/low	6970	1205/1195
AM Official	1200-10	1215-25
Kerb close		1195-200
Open Int.	5,379	
Total daily turnover		
LEAD (S per to	nne)	
Close	765-7	765-6
Previous	771.5-72.5	771-72
High/low	768	767/763
AM Official	767-8	766-7
Kerb clase		766-7
Open int.	38,724	
Total daily turnover		
MICKEL (S per		
- MONTEL (9 box	фина	
Close	6980-90	7090-100
Previous	7040-50	7155-60
High/low	6970	7230/7050
AM Official	6960-70	7080-85
Kerb close		7120-30
Open int.	44,020	
Total daily turnover		
TIN (\$ per tonn	<del>o)</del>	
Close	5985-95	6040-50
Previous	6005-15	6060-65
High/low	6011/6010	6075/6045
AM Official	6011-15	6065-70
Kerb close		6050-55
Open int.	16,428	
Total daily turnover	3.629	
ZINC, special !		er tonne)
Close	1006-7	1032-3
Previous	1000-01	1026-26.5
High/low	1010/1009	1036/1031
AM Official	1008.5-9.0	1035.5-6.5
Kerb close		1035-6
Open int.	72,902	
Total daily temover	20,583	

	-				_	-
	Sett price	Day's change	High	Low	Vol	Open int
Oct	91.60	-1.30	91.60	90,50	434	3,895
Hov	90.60	-1.45	90.90	90,30	258	1,925
Dec	90.35	-1.30	91.70	89,00	9,160	25,931
Seen	90.10	-1.15	90.30	89,30	11	1,338
Feb	89.75	-1.10	89.30	88.60	55	936
Mar	89.35	-0.95	90.70	86.30	1.070	9.310
Total	-2				11,262	58,025
					-	-

177,586 68,004

and £/\$ rate: 1,5649

1954/1915

■ COPPER, grade A (5 per torm

I LME AM Offic

E LONDON BE	JILLION M	ARKET		
(Prices supplied	by N M F	tothachild)		
Gold(Troy oz) Close 3 Opening 3	81.35-381.85		SFr equiv	
Morning fix Afternoon fix Day's High 3 Day's Low 3 Previous close 3	380.90 381.35 81.95-382.18 80.35-380.65	243.247 243.721	477.268 478.213	:
Loco Ldn Mean 1 month 2 months 3 months	3.85 S i 3.76 12	eritnom	3.54	
Character Char				

US cts equ 488.00 494.35 500.35 328.90 513.45 £ equity. 247-249 \$ price 388-389

Precious Metals continued

	Satt	Oxy's change	High	form	Val	Open
Get	381,2	+0.2	381.0	381.0	6	25
Dec	383.5	+0.1	384.4	382.6	15,695	1,103
Feb	385.8	+0.2	386.6	385.2	113	15,638
Apr	388,1	+0.3	388.6	388.2		10,843
Jun	390.5	+0.4	390.8	390.0	25	11,022
Ang	392.9	+0.4	393.2	393.2	105	
Total					16,877	193,8C
E PL	MUNITA	NYME	X (50 .	Troy oz	S/m	y cz.)
Oct	389.3	+22	387.5	387.5	16	100
Jan	391.0	+22	391.8	387.6		20,200
April 1	393.7	+22	394.0	392.0	83	7,317
Jul	396.7	+22	396.O	396.0	421	318
Oet	400.2	+22	<b>399.0</b>	397.0	25	27
Total						25,571
PA	TTYDIU	MYM N	EX (tox	Troy o	Z.; \$/tr	oy 02.1
Dec	118.50	-0.75			183	7,560
Mar.	119.50	-0.75	120.25	120.00	_	164
Jon	120.55	-0.75	-	-	-	115
Total					183	7,859
SH	VER CO	MEX (5,0	Tro	y oz.; Ce	nts/troy	(CD)
Oet	493.4	+7.8	486.0	482.0		3
Dec	497.3	+7.5	499.5	488.0		68.112
ووال	499.5	+7.5	500.0	500.0	2	26
	504.5	+7.6	507.0	496.0		11,130
May	509.2	+7.5		506.0	13	6,412
Jul	513.9	+7.5	509.5	506.5	10	4,966
Total					7,781	97,844
ENI	ERGY					

ENE	RG	1				
E CR	JOE O	L NYM	EX (1,0	100 bar	rek. \$	/barrel)
		Bay's chappe	High	Low	Yok	Open list
Nov Dec Jep Peb Mar Apr Total	24.92 24.28 23.82 23.00	-0.12 -0.16 -0.11 -0.09 -0.12 -0.12	25.53 25.10 24.40 23.71 23.10 22.60	24.84	25,624 10,208 6,030 3,312 2,453	74,407 76,811 47,474 30,162 17,864 14,664 422,680
■ CR	JDE O	L IPE (	/berre	ŋ		
		Day's change	Klyb	Low	Val	Open
Nov Dec Jen Fob Mar Anr		-0.03 -0.06 -0.01 +0.02 +0.06	24.62 24.14 23.45 22.71 21.97 21.35	24.32 23.84 23.16 22.46 21.80	12,375 5,832 2,385 1,922	29,854 52,333 28,389 17,825 22,245 7,314
Total				21.13 00 US o	n/a	18/1
Total	TING (	Day's			n/a	18/1
Total	TING (	ONL NYM			n/a	n/a (S galle.)

Dec	74.55	-1.03	76.30	74.20	14,899	34,679
Jan	72.75	-0.68	73.45	72.40	9,360	25,554
Feb	69.90	-0.28	70.30	69.20	6,718	12,984
May	86.60	+0.07	66.70	66.15	1,740	8,108
Apr	62.60	0.03	62.80	62,60	1,351	4.248
Total					55,587	143,950
E GA	S OIL P	E (S/Ion	ne)_			
	Sett	Day's				Орея
	price	change	Migh	Low	Vel	fort.
Oct	246.00	-1,00	248.00	244.25	7,405	8,666
Hov	238.25	-1.75	241.50	237.50	B,643	26,306
Dec	229.75	-0.75	232.00	229.25	3,980	21,225
Jan	221.00	+0.25	222.50	220.50	3,384	14.383
Feb	211.00	+0.25	212.25	210.50	526	3,722
May	201.00	+0.50	202.25	201.00	762	4,757
Total					27,561	92,540
E NA	TURAL	GAS N	MEX (1	0,000 ms	18ts.; \$/	MINERAL)
	Lotest					Open
	price	change	High	LOW	Yel	
Nev	2.530	+0.092	2.560	2.441	20,574	
Deg	2.865	+0.060	2.685	2,597	11,052	26,443
, later	2.675	+0.048	2.700	2,608	5.746	19,106

Mar			2.350		1,121	
Aper Cotel	2.165	+0.010	2195	2.145		5,289 141,976
	EX (42,0)					
_	Latest	Day's				Open
	price	change	High	LOW	Yol	int.
Nov	66.70	+0.20	67.25	66,30	14,353	25,022
Dec	85.60	+0.03	66.15	65.45	5,836	13,900
in a	64,75	+0.06	65.00	64.40	2,558	10,244
Feb.	84.15	-0.02	64.35	84.15	396	3,230
Mar	64.50	+0.08	64.50	64.50	174	1,844
Nor .	66.30	_	66.70	66.30	340	2.298
Otel	_,				23,871	58,014

2.520 +0.028 2.540 2.460 1,880 10,904

GRAINS AND OIL SEEDS WHEAT LIFFE (C per tonne) Sett Day's Open price change High Low Vol Int

		price	chang	e High	Low	Wal	int
3	Slov			102.40		48	1,506
	Jan	104.40	+0.30	104.50	103.80	120	
ì	Mar		40 26	105,70	105.35	54	1,481
	they.	107.50		107,60			
?		107.30	+0.30	107,50	107.00	125	1,138
	Jel	108.75		108.75		125	136
	Nov	100.00	-	100.00	99.75	23	47
,	Total					352	6,360
	= W	TEAT CE	ST (5.D)	Obu m	n: cent	/BOB b	(ledge.)
-							
)	Dec	427.00	-1.50	432.50	425.00	9,641	42,331
,	Mar	415.25	+1.50	418.00	413.50	2,247	15,580
•	May	395.50		397.50		225	1,529
•	Jai	377.00		378.00		404	7,374
	Sap	378.00	44 50	379.50	7/8 CO	35	206
		388.00		381.50		61	155
	Dec	300.00	44,30	301.20	301.30	12.582	
	Total					12,362	67,208
		VIZE CE	(5,00)	bu mis	COURSE	7580 b	ushell
	Dec	293.75		297.00			
•	Magre .	300.75	-200	303.75	299.75	7,520	72,768
1	May	306.25	-3.25	309.75	305.50	4,551	33,103
	Jul	309.75	-275	313.25	309.00	9.909	25,575
•	Sep	293.50		294.50		222	3.056
ļ	Dec	290.75		291.00			18.086
	Total					52,906	
				100	- 1	-	-
	H BA	RLEY L	FFE (	ber to	unej		
	Nov	101.40	AD 85	101.25	101 00	24	811
	300	102.90		102.75		4	
	Mar						
•		104.25		104.25	104.25	10	188
	May	105.75	+0.35	-	-	=	95
	Total					38	1,001
	<b>SO</b>	YABEA	IS CET	5.000b	min: ce	ota 600	bookel
					1.0		
	<b>MOV</b>	738.25	+1.75	739.50	735.00	30,901	94,408
	Jen	745.50	+1.50	748.75	742.50	8,830	34,133
	Mar	752.75		753.50		2,998	
•	May	754.00	+2.25	754.00	751.50	1,748	13,744
	Jal	755.00	+2.00	755.50	752.50		11,344
	Aog	748.00		749.00		12	297
	Total			,		48,125 1	
		vene					
	- 50	YABEAY	USL,	CB1 (0)	U,UUUID	2 CHILL	S(ID)
	Oct	23.55	+0.14	23.54	23.33	1,654	1,135
	Dec	23.88		23.90	23.70	7,001	
	Jan .	24.15		24.15	23.99		13,644
	Mar		+0.10	24.48			
					24.34		14,370
	May		+0.10	24,75	24.62	490	7,736
	34	25.08	+0.08	25.05	24.92	226	2,149
	Total					12,161	83,309
	M 30	YABEAN	MEA	T CRI	(100 to	na; S/te	inc
				_			
	Oct	248.8	+0.9	248.9	247.5	2,100	5.135
	Dec	245.2	+0.4	245.9	244,4		45,065
	Jan	243.6	+0.8	244.1	242.7		10,323
	Mar	241.1	+0.7	241.5	240.2		14,274
	May	235.1	+1.1	238.5		558	8,448
	Joi	237.2	+0.7	237.5	236.5	243	3,575
	Total					15,250	80,645
	E PO	TATOES	LEFE	(Choos	nel		
				(D-00-1			
	Nov	35.0	-	-	-	-	2
	Mar	74.4	+1.2	-	-	-	_
	FOR	75.0	+1.2	75.0	74.5	66	1,325
	May	85.7	+1.2	_	_	_	17
	Jun	94.2	+12	_	_	_	
	Total					62	1,347
		эвнт (8	HEEEV		M104-	viev c	
	- 174		W.LEY	1 THE		May by	ALC:
		1135	+5	1138	1130	48	1.145
	Oct		+10	1205	1195	36	596
		1205			1220	20	1,525
	Rov	1205 1225		225			
	Hov Jun		+3	1226 1248			522
	Nov	1225 1245	+3	1248	1240	20	523
	Hov Jun Apr Jul	1225 1245 1098	444	1248 1700	1240		529 120
	Jun Apr Jul Oct	1225 1245	+3	1248	1240	20 10	529 120 29
	Hov Jun Apr Jul	1225 1245 1098 1230	444	1248 1700	1240	20	529 120
	Hov Jun Apr Jul Oct Tetal	1225 1245 1098 1230	+3	1248 1700	1240	20 10	529 120 29
	Jun Apr Jul Oct	1225 1245 1098 1230	444	1248 1700	1240	20 10	529 120 29

UTURES	DATA	
	data summand but CASE	

Nuts and Seeds	
Prices from Kenkko Group; US\$ a tonne	
tranium pistachios 28/30 raw (in shell) natu	
warms homewage 5000 less fill great little	_
relly opened (round); 1996 crop prices no	×
yet opened as mejor supplier, RPPC, is et	Я
negotiating with growers; spot at 3,800	ì.
limited quantity. US almonds (shelled	ï
Nonparell availability linited: 18/20 NP	"
TOTAL OF EACHEDING INITIAL TOTAL INFO	•
stable at 5,750 FAS California, October	r
shipment - market quiet. US watnuts: UH	2
20%; 5,500; In-shell tyleid estimated need	
50% down) up at 2,380 - both FAS Call	٤
and Timbles bearing a sentent of	Γ.
omia. Turkish hazefruts, standard No 1	
vulnerable between 3,600 and 3,700CFF	Ł.
Indian cashews raw: W-320, 5,300 FOR	3
India, down with new Brazilian crop. U.	
Treated forms and these distances to the Di-	3
pecans, fancy junior mammoth halves	١.
1906 crop. estimated at 5,400 FOB after	•
recent storms.	-
	_

		price	change	lingt:	Cour.	Val	int	
.506	Dec	977	+3	980	972	2,276	31,328	
982 481 138	Mar	1005 1018	*3	1008		721	40,339 19,956	Feb
138	Jai	103Z	45		1028	59		
136	Dec	1046 1056	+6	1046	1044	20	3,908	Jane
360		1030	+5	1037	1002	3713	3,545 133,585	Total
hel)		COA CS	CE (10	tonnes	; \$/ton	nes)		m Lt
,331	Dec	1385	+16		1370	2,970	29,230	Oct
,580 ,529	Mar	1414	+16	1415	1421	1 757	19,776 8,248	
374	34	1445	+18	1445	1438	114	6 214	-
206	Sep.	1480	+10		1458	32	5,652	Jon
155 208	Dec Total	1484	+10	-	-	70 5.070	664 76,814	Jul
el		COA (IC	CO) (SC	H's/to		-,		
358	Oct 8				icu	P	ev. day	■ PC
768	Duity			1027.5	99		1025.12	Feb
103 576	= 00	HE U	EE (SA	······································				Mar
056	Hor	1549	_	1157	1520	4 689	13,073	Jal
086 410	Jan	1485	+35	1490	1455	1,580	9,115	Ang Total
	Mar	1455	+37	1458	1420	1,041	5,271	
811	Hay	1437		1417		443		LO
706	Sup	1429	+35	-	-	_	37	Strike
185	Total		COVE	m7 40	·		29,862	
<b>301</b>		FFEE 'C'						(B9.79
hell	Dec	103.63	+41.20	101.30	103.30	1.640	14,588	1300 1350
409		105.15	-0.35	106.75	104.50	316	2,446	1400
133	Jal	105.15 105.25 105.25	+0.25	106.10	105.25	55	779 249	<b>=</b> 0
744	Sep Dec	106.00	+0.15	105.50	105.90	45	313	
344 297	Total					7,376	25,034	1850
152		FFEE (IC	O) (US	DOUTEN)	pound)			1850
)	Come.	dally		98.	85	Pr	98.89	■ C
135	15 day :	daily		95.	35		95.17	1500 . 1550 .
801 644		ITE SUG	AD 1 IE	= ==				1600 .
370		322.0						■ CX
736 149	Mar	319.1	-1.1	320.0	318.2	1,842	10,158 10,040	1000 .
309	May	319.3 321.8	-0.7 -0.2	318.6 322.0	318.6	222	3 890	1025 .
	- Control	321.0		313.9	320.6 313.5	135	1,587	8 B
135	Oct	314.0	-0.2			20		IPE
	Oct Dec	314.0 316.8	+0.5	316.3	316.3	22 24	265	2250
065 323	Dec Total	316.8	+0.5			4,198	27,171	2350 . 2400 .
065 323 274	Dec Total	316.8 3AR '11'	+0.5 CSCE	(112,00	Olbs; c	4,190 ente/1	27,171 (5s.)	2350 . 2400 . 2450 .
065 323 274 448 575	Total as SUC May	316.8 GAR '11' 10.78 10.78	+0.5 CSCE -0.04 -0.01	(112,00 10,80 10,79	1072 4	4,190 Senta/1 4,842   1,246	27,171 75s) 85,293 24,825	2350 . 2400 . 2450 . LON
065 323 274 448 575	Total  BI SUC  Hay  Jul	316.8 GAR '11' 10.78 10.78 10.68	+0.5 CSCE -0.04 -0.01 +0.03	10.80 10.79 10.88	10.72 4 10.72 10.72	4,190 ente/ 1,542   1,246   454	27,171 fbs.) 85,293 24,825 16,768	2350 . 2400 . 2450 . LON
065 323 274 448 575 845	Tetal Tetal BI SUC May Jul Cet Mar	316.8 GAR '11' 10.78 10.68 10.64 10.59	+0.5 CSCE -0.01 +0.01 +0.04 +0.05	10.80 10.79 10.88 10.85 10.85	10.72 10.72 10.72	4,190 ents/1 4,842   1,246   454	27,171 75s) 85,293 24,825 16,758	2350 . 2400 . 2450 . LON
065 323 274 448 575	Dec Total El SUC May Jul Oct May	316.8 GAR '11' 10.78 10.68 10.68	+0.5 CSCE -0.04 -0.01 +0.03 +0.04	10.80 10.79 10.88 10.88	10.72 10.72 10.72	4,190 ents/1 4,842   1,246   454	27,171 75s) 85,293 24,825 16,758	2350 . 2400 . 2450 . LON
065 323 274 448 575 845	Dec Total all SUC liter May Joi Cet May Total	316.8 10.78 10.78 10.68 10.64 10.59 10.56	+0.5 -0.04 -0.01 +0.03 +0.04 +0.05 +0.05	10.80 10.79 10.88 10.85 10.55 10.59	10.72 10.72 10.72 10.57 10.57 10.52 10.47	4,190 4,842   1,246   454   939   206   84	27,171 (bs.) 85,293 24,825 16,768 10,859	Z350 Z400 Z450 LON E CR Dubes Brent Brent W.T.L
065 323 274 448 575 845	Dec Total all SUC liter May Jul Get Atter filary Total all COT	316.8 10.78 10.78 10.68 10.64 10.59 10.56	+0.5 CSCE -0.04 -0.01 +0.03 +0.04 +0.05 +0.05	10.80 10.79 10.88 10.85 10.85 10.59 10.57	10.72 10.72 10.72 10.61 10.57 10.52 10.47	4,190 6,842   1,246   454   939   206   84   7,7471	27,171 85,293 24,825 16,768 10,559 3,394 502 41,594	2350 2450 2450 LON E CR Dubes Brent W.T.L. E Oil
2 323 274 448 575 845 2 - 326 17 -	Dec Total El SUC May Jul Oct Mar May Total El COT Oct Dec	316.8 10.78 10.78 10.68 10.68 10.59 10.56 170N NY	+0.5 CSCE -0.61 +0.63 +0.65 +0.65 -0.65 -0.67 +0.85	10.80 10.79 10.88 10.85 10.57 10.57 ,000%s	10 72 4 10.72 10.57 10.57 10.57 10.52 10.47 5, cents	4,190 6,542 1,246 1,246 4,54 1,339 206 84 7,747 7,75s) 28 1,333	27,171 25,293 24,625 16,758 10,659 2,394 41,694 301 30,811	2350 2400 2450 LON Brent Brent W.T.L BOIL Premil
065 323 274 448 575 845 2 326 17	Dec Total all SUC liter May Jul Get Atter May Total all COT	316.8 10.78 10.78 10.78 10.64 10.59 10.56 17ON NY 73.23 77.43	+0.5 CSCE -0.04 -0.01 +0.03 +0.05 +0.05 CE (50)	10.80 10.79 10.88 10.85 10.55 10.57 0006bs	10.72 10.72 10.57 10.52 10.47 75.10 75.50 176.61	4,190 senta/ (,842   1,246   454   939   206   84   7,7471   /Tbs)   28   3,333   724	27,171 85,293 24,825 16,768 10,659 3,394 502 41,594 301 30,911 10,623	2350 2400 2450 LON CR Dubes Brent Brent W.T.L CR Premit Gas O Heavy
065 323 274 448 575 845 2 - 328 17 -	Dec Total SUK Hary Jul Oct Mary Total SU COT Use Hary Jul Oct Mary Total SU COT Use Harr Mary Jul Mary Mary Mary Mary Mary Mary Mary Mary	316.8 10.78 10.78 10.88 10.84 10.59 10.56 17.0N NY 78.03 76.23 77.41 78.40	+0.5 CSCE -0.04 -0.01 +0.05 +0.05 +0.05 CE (50 -0.27 +0.38 +0.44 +0.30 +0.25	112,00 10,80 10,79 10,55 10,55 10,59 10,57 ,000%s 75,50 76,49 77,45 78,20 78,40	10.72 - 10.72 - 10.72 - 10.72 - 10.57 10.52 10.47 75.50 175.50 177.20 77.86	4,190 sents/1 1,246 : 1,246 : 454 : 939 : 206 7,747 : 7,747 :	27,171 25,171 26,529 24,625 16,758 10,559 3,394 301 301 30,911 10,523 6,436 4,887	2350 2400 2450 LON CR Dubes Scent Brent W.T.L Cas Of Heavy Naphti Jet fue
065 323 3274 448 575 845 2 326 17 	Dec Total  El SUK Mar Mary Jul Get Mary Mary Total El COT Get Use Mary Mary Mary	316.8 10.78 10.78 10.88 10.84 10.59 10.56 17.0N NY 78.03 76.23 77.41 78.40	+0.5 -0.04 -0.07 +0.05 +0.05 +0.05 -0.27 +0.28 +0.30 +0.30 +0.25	112,00 10,80 10,79 10,55 10,55 10,59 10,57 ,000%s 75,50 76,49 77,45 78,20 78,40	1072 4 10.72 1 10.57 1 10.57 1 10.52 1 10.47 7 5, cents 75.10 7 75.50 1 77.20 77.80 77.62	4,190 ente/ 4,842 1,246 454 454 206 84 7,7471 75s) 28 3,333 724 1 197 104 31	27,171 25,293 24,825 16,758 10,559 3,364 502 41,594 301 10,593 10,911 10,523 6,436 4,857 1,010	2350 . 2400 . 2450 . LON Exert Brent W.T.L B Oil. Premit Gas Oil Heavy Naphti Jet fue Diesel
065 323 274 448 575 845 2 - 325 17 - 37 145 595 525	Dec Total all SUK Mary Jul Oct Mary Tutal all COT Oct Mary Mary Mary Mary Mary Mary Mary Mary	316.8 10.78 10.78 10.88 10.84 10.59 10.56 17.0N NY 78.03 76.23 77.41 78.40	+0.5 -0.04 -0.01 +0.03 +0.05 +0.05 -0.27 +0.38 +1.44 +0.90 +0.90 -0.15	10.80 10.79 10.83 10.85 10.85 10.57 10.57 ,000%s 75.50 76.40 77.45 78.20 78.40 77.75	1072 4 10.72 1 10.57 1 10.57 1 10.52 1 10.47 7 5, cents 75.10 75.50 1 77.50 77.53 77.52	4,190 4,542 1,246 1,246 454 206 84 7,7471 75s) 28 3333 724 197 197 194 31 5,489	27,171 25,293 24,825 16,768 10,559 3,394 502 41,594 301 10,623 6,436 4,887 1,010 53,655	2350 2450 2450 2450 ECR Dubes Scent Brent Brent Brent Gas Offeny Note for
2 - 328 575 575 585 7 - 328 17 - 328 146 595 525 525 525 525 525 525 525 525 525	Dec Total SUK Mary Jul Mary Total SE COT Use Namy Jul Oct Use Namy Jul Oct Use Cot Use Cot Use Namy Jul Oct Use Cot Us	316.8 10.78 10.78 10.88 11.84 10.55 10.55 10.55 17.00 NY 78.10 78.10 78.10 78.10	+0.5 -0.61 +0.05 +0.05 +0.05 +0.05 +0.28 +1.44 +0.30 +0.25 -0.15	10.80 10.79 10.88 10.85 10.55 10.57 10.57 ,0000cs 75.50 76.40 77.45 78.20 77.75	10.72 10.72 10.72 10.57 10.57 10.47 10.57 10.47 75.50 75.61 77.52 10.0005ee 112.00 1	4,196 ents/ (,842 1,246 454 1,246 206 839 206 7,7471 23 1,333 1,724 1,97 104 31 1,489 1,661	27,171 fbs) 65,293 24,825 16,758 10,559 3,394 502 41,594 301 10,523 8,436 4,881 1,010 53,655 4/bs) 8,567	2350 . 2400 . 2450 . LON Exert Brent W.T.L B Oil. Premit Gas Oil Heavy Naphti Jet fue Diesel
065 323 274 448 575 585 2 - 128 17 - 145 575 523 120 229	Dec Total SUK Mer Mery Jul Oct Many Total SI GOT Oct Data Mery Mery Mery Mery Mery Mery Mery Mery	316.8  GAR '11'  10.78 10.78 10.68 10.59 10.55 10.56 17.0N NY 78.00 78.10 78.10 178.10 178.10 178.10 178.10 178.10 178.10	+0.5 -0.04 -0.01 +0.05 +0.05 +0.05 -0.27 +0.38 +1.44 +0.39 +1.44 +0.25 -0.15	(112,00 10,80 10,79 10,83 10,85 10,59 10,57 ,000065 75,50 76,40 77,45 78,20 78,40 77,75 CE (15,15 10,825 10,825 10,825	10.72 10.72 10.72 10.51 10.52 10.47 75.10 77.80 77.80 10.635	4,190 sente/ 6,842 1,246 454 1,246 839 84 7,7471 7058 197 104 197 104 107 108 108 108 108 108 108 108 108	27,171 755,293 24,825 24,825 24,825 24,825 24,825 3,384 10,559 3,384 301 30,911 10,534 4,887 1,010 5,436 4,887 1,010 5,436 5,636	2350 2450 2450 LON B CR Dubes Brent W.T.L B Oil Premit Gas O Heavy Naphti Jet fur Dissel MA' Sactor
065 323 274 448 575 585 2 - 128 17 - 145 575 523 120 229	Dec Total SUK Mar May Jul Oct Mary Total SI COT Mary Total SI COT Mary Total SI COT Mary May Jul Oct Yets Mary Jun Oct Mary Jun May May Jun May May Jun May May Jun May May Jun May May Jun May May Jun May May May May May May May May May May	316.8 GAR '11' 10.78 10.88 11.84 10.55 10.55 10.55 17.00 NY 78.10 78.10 78.10 111.20 117.55 109.45 111.35	+0.5 CSCE -0.04 -0.03 +0.05 +0.05 +0.05 -0.77 +0.26 +0.25 -0.15 -0.80 1 -0.80 1 -0.80 1	112,00 10,80 10,79 10,85 10,85 10,59 10,57 ,0006:5 75,50 76,40 77,45 76,40 77,75 CE (15,15 108,25 11,515 108,25 108,50	1072 - 10.72 - 10.57 - 10.52 - 10.47 - 10.52 - 10.47 - 10.52 - 10.47 - 10.50 - 175.50 - 175.50 - 175.50 - 175.50 - 175.50 - 175.50 - 175.50 - 10.50 -	4,196 ents/ (,842 1,246 454 1,246 206 839 206 7,7471 23 1,333 1,724 1,97 104 31 1,489 1,661	27,171 fbs) 65,293 24,825 16,758 10,559 3,394 502 41,594 301 10,523 8,436 4,881 1,010 53,655 4/bs) 8,567	2350 . 2450 . 2450 . 2450 . 2450 . 2450 . 2450 . E CR Dutos Srent Brent Brent Brent Gas Of House, Naphti Jet fue Diesel Machine Retola.
065 323 274 448 575 585 2 - 128 17 - 145 575 523 120 229	Dec Total SUK Mar May Jul Get Mar Total SI GOT Oct Total SI GOT Her May Jul He	316.8  GAR '11'  10.78 10.88 10.59 10.55 10.55 10.55 10.57 73.00 73.00 73.40 73.40 73.10 111.20 111.20 111.20 111.340	+0.5 CSCE -0.04 -0.01 +0.05 +0.05 +0.05 -0.38 +1.44 +0.30 +0.25 -0.15 -0.80 1 -0.80 1 -0.80 1	112,00 10,80 10,79 10,85 10,85 10,59 10,57 ,0006:5 75,50 76,40 77,45 76,40 77,75 CE (15,15 108,25 11,515 108,25 108,50	1072 - 10.72 - 10.57 - 10.52 - 10.47 - 10.52 - 10.47 - 10.52 - 10.47 - 10.50 - 175.50 - 175.50 - 175.50 - 175.50 - 175.50 - 175.50 - 175.50 - 10.50 -	4,190 iente/1,245 ; 454 ; 454 ; 454 ; 454 ; 454 ; 454 ; 454 ; 454 ; 454 ; 455 ; 456	27,171 75s,) 755,293 755,293 755,293 755,293 75,768 10,559 75,768 10,559 75,768 10,559 75,768 10,578 10,579	2350 . 24
065 323 274 448 575 585 2 - 128 17 - 145 575 523 120 229	Dec Total SUK Mar May Jul Oct Mary Total SI COT Mary Total SI COT Mary Total SI COT Mary May Jul Oct Yets Mary Jun Oct Mary Jun May May Jun May May Jun May May Jun May May Jun May May Jun May May Jun May May May May May May May May May May	316.8 GAR '11' 10.78 10.88 11.84 10.55 10.55 10.55 17.00 NY 78.10 78.10 78.10 111.20 117.55 109.45 111.35	+0.5 CSCE -0.04 -0.01 +0.05 +0.05 +0.05 -0.38 +1.44 +0.30 +0.25 -0.15 -0.80 1 -0.80 1 -0.80 1	112,00 10,80 10,79 10,85 10,85 10,59 10,57 ,0006:5 75,50 76,40 77,45 76,40 77,75 CE (15,15 108,25 11,515 108,25 108,50	75.50 77.20 77.50 10.000 10.50	4,190 sente/(1,246 ; 1,246 ; 1,246 ; 1,246 ; 2,266 ; 1,246 ; 1	27,171 Pos.) Pos.) Pos.23 Pos.24,825 Pos.6768 Po	2350 . 24
065 323 274 448 575 845	Dec Total SUK Mar Hay Jul Mar Hay Jul Mar Mary Total SI COT Oct Use Oct Use Oct Hay Jul Mar May Jul Mar May Jul Mar May Jul Mar May Jul May Ju	316.8  GAR '11'  10.78 10.88 10.59 10.55 10.55 10.55 10.57 73.00 73.00 73.40 73.40 73.10 111.20 111.20 111.20 111.340	+0.5 CSCE -0.04 -0.01 +0.05 +0.05 +0.05 -0.38 +1.44 +0.30 +0.25 -0.15 -0.80 1 -0.80 1 -0.80 1	112,00 10,80 10,79 10,85 10,85 10,59 10,57 ,0006:5 75,50 76,40 77,45 76,40 77,75 CE (15,15 108,25 11,515 108,25 108,50	75.50 77.20 77.50 10.000 10.50	4,190 sente/ 4,842   1,245   1,255   1,255   1,255   1,255	27,171 Pos.) Pos.) Pos.23 Pos.24,825 Pos.6768 Po	2350 . 24
065 323 274 448 575 585 2 - 128 17 - 145 575 525 525 525 525 525 525 525 525 52	Dec Total SUK Mar Hay Jul Mar Hay Jul Mar Mary Total SI COT Oct Use Oct Use Oct Hay Jul Mar May Jul Mar May Jul Mar May Jul Mar May Jul May Ju	316.8  GAR '11'  10.78 10.88 10.59 10.55 10.55 10.55 10.57 73.00 73.00 73.40 73.40 73.10 111.20 111.20 111.20 111.340	+0.5 CSCE -0.04 -0.01 +0.05 +0.05 +0.05 -0.38 +1.44 +0.30 +0.25 -0.15 -0.80 1 -0.80 1 -0.80 1	112,00 10,80 10,79 10,85 10,85 10,59 10,57 ,0006:5 75,50 76,40 77,45 76,40 77,75 CE (15,15 108,25 11,515 108,25 108,50	75.50 77.20 77.50 10.000 10.50	4,190 sente/ 4,842   1,245   1,255   1,255   1,255   1,255	27,171 Pos.) Pos.) Pos.23 Pos.24,825 Pos.6768 Po	2350 . 24

VOLUME DATA
TO SERVICE SERVICE
Open interest and Volume data shown for
contracts traded on COMEX, NYMEX, CET.
CONTRACTS DECOC ON COMEY WINEY CRI
NYCE, CME, CSCE and IPE Crude OF are
One day in amount Polymen & Committee
one day in errears. Volume & Open Interest
totals are for all traded months.

	H-2 (FIESE:	18/9/31-100)	
Oct 6 1895.4	Oct 8 1894,9	month ago 1937.2	7047 ago 2075.0
CRB F	utures (Bas	se: 1957=100)	
Oct 8 249.14	Oct 7 247.81	month ago	year ago
	pot (Base:	1970=100)	
213.48	Oct 7 211.39	month ago 202.44	year ago 178.44

### MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40.000)(bs: perts/fbs:

		Day's		Low	Yol	Openz
t	71.425	-0.600	72475	71,250	2,007	15,184
C	65,625	-0.575	66,400	65,350	4.835	38,497
•	63.900	-0.375	64.450	63,650		
	65,825	-0.300	66 150	65,650		9.032
ı	63.575	-0.250	63.975	63.500		
,	63.350	-0.200	63,650	63,325	88	
						90,587
L	E HOG	S CME	(40.000	XIbs: ce		
	60.075	40.150	60 575	59,400	2,861	4.299
:			58.475			18,743
	7B.500	-0.050	78.950	78.050	1,469	7.210
	74.000	+0.050	74 475	73.500	336	2,788
,	77.825	+0.100	77.900	77,400	95	3.000
	75.150	+0 200	75 150	74,750	15	670
Ħ				1	9,925	
					,	37,544
PC	RK BE	LIES (	ME (40	0.000lbs	; cent	e/The)
	78.525	-0.350	79,800	77.200	2,085	5.354
	77.950	D 000	70 CEA	77.275	140	B60
1	77.300	-0.500	19.030	(1713	140	500

otal	11,200	- 11300	11.300	2,303	6,7
		TRADE			
AL	UMINIUM				
9.79	6) LME	Nov	Feb	Nov	Fe

Total			2,303	6,710
LONDON TRA				
	- 0	#13	Pt	_
IR 7%) LUE	Nov	Feb	Nov	F-4
(B9.7%) LME	30	60	25	Feb 34
1350	11	36	55	50
1400	4	20	97	93
COPPER				
Grade A) LME	Nov	Feb	Nov	Feb
1850	114	133	20	57
1900	53 20	82 45	58 124	105
COFFEE LIFFE	Nov	Jan		167
1500		<i>5</i> 7	Nov	
1550	22	48	<i>5</i> 23	<i>79</i> 110
1600	7	35	57	147
COCOA LIFFE	Dec	Mar	Dec	Mar
975	33	64	31	34
1000		51	45	46
BRENT CRUCE	15	40	53	60
PE DRENT CRUCE		Dec	Nov	Dan
2350		-	2	DEC
2400	26	-	9	:
		-	-	-
LONDON SP	OT	MA	RKE	TS
E CRUDE OIL FOR (p	er bar	Tel)		or-
Defeat		.08-2.1		
Brent Biend (dated)	\$24	E0-16	8 40	.045 2.06
BLEUK RIGHT (MON)	524	50-4.5	2 4	1114
W.T.L	275	30 E	2 2	
OL PRODUCTS H	E prous	pt selly	BY CIF (	DEPTH !
Premium Gesoline	\$2	30-234		2.5
	S2	47-246		1.5
Heavy Fuel Oil Naphtha	517	21-123 29-231		-2
Jet fuel	52	72-273		⊷4 3,5
Diesel	63	CC 020		1.5
MATURAL GAS (Per	rce/the	(m)		
Bacton (Nov) Petroleum Argue, Tel. Lore	13.	10-3.30	-0	20
■ OTHER		- 1/ 300	6/12	
Gold (per troy oz)	67	81.50	_	-
Silver (per troy cat)	45	4.00c		.50 .50
Pletinum (per troy oz.)	\$3	84.25		75

CRUDE OIL FOR (DE	ין ארעיני	
- ONDE OIL FOR IDE	a Danel	+01-
Dubei	\$22.08-2.18	+0.045
Brent Blend (dated)	\$24.60-4.62	-0.06
Brent Blend (Nov)	\$24.50-4.52	-0.04
W.T.L	\$25.32-5.33	-0.175
OIL PRODUCTS NAV	prompt delivery	CIF (lower
Premium Gasoline	\$230-234	+2.5
Gas Of	S247-248	-1.5
Heavy Fuel Oil	\$121-123	+2
Naphtha	\$229-231	+4
Jet fuel	\$272-273	-3,5
Diesel	\$268-270	+1.5
MATURAL GAS (Pen	ce/therm)	
Bacton (Nov)	13.10-3.30	-0.20
Petroleum Argus. Tel. Lond.	on (0171) 359 8	792
Gold (per troy oxis	\$381.50	+0.50
Silver (per troy ca)	494.00c	+4.50
Pletinum (per troy oz.)	\$384,25	-0.75
Pallactum (per troy oz.)	\$117.25	-0.75
Copper	99.0c	
Lead (US prod.)	45.00c	
Tin (Kuela Lumour)	14.85r	-0.02
Tin (New York)	280.50	-1.0
Cattle (five weight)	93.62p	+0.48*
Sheep (live weight)	112.88p	-0.89
Pigs (five weight)	102.94p	-2.67
Lon. day sugar (raw)	\$273.90	-2.9
LOOL DEV SURTER GARRIS	\$330.00	-2.9 -1.0
Barley (Eng. feed)	105.50	-1.0
Malze (US No3 Yellow)	128.00	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	83.25p	
Rubber (Dec)♥	83.25p	

REVTE		18/9/31=100)	
Oct e 1895.4	Oct 8 1894,9	month ago 1937.2 se: 1957=100)	<b>year ago</b> 2075.0
Oct 8 249.14	Oct 7	month ego 1970=100]	year ago
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-	PRK BELLIES			_	_
•	78.525 -0.350			2,085	
r	77.960 -0.900	79.650	77.275	140	
7	79.800 -0.650	80.500	78.750	58	
	79.975 -0.575	80,400	79.000	18	
	77.800 -	77.300	77.300	2	
				2,303	

	-	20	3.	93	
COPPER					
REGO A) LME	Nov	Feb	Nov	Feb	
850	114	133	20	57	
900	53	82	58	105	
850	20	45	124	167	
COFFEE UFFE	Nov	<i>J</i> an	Nov	Jan	
500	55	67	5	79	
550	22	48	23	110	
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COCOA LIFFE	-				
	Dec	Mar	Dec	Mar	
75	33	64	31	34	
000	22	51	45	46	
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BRENT CRUCE					
E	Nov	Dec	Nov	Dec	
350	_				
100	52	-	2	-	
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				-	
ONDON SP	OT	MA	RKE	ETS	
CRUDE OIL FOR (p	er ba	Tel)		or-	
ubei	522	.08-2.1	<b>a</b>	2.045	
ent Blend (dated)	\$24	.60-4.6	-	0.06	
ent Blend (Nov)		50-4.5	5	0.04	
T.L	675	32-5.3	~ ~		
OIL PRODUCTS NA	Franci	T (10)	- TE	175	
I I I DOOLG MI	CHOO	THE GENERAL	SY CIF		

Rubber (Nov)♥		
money (MONIA	83.25p	-
Rubber (Dec) V	83.25p	
Rubber (KL RSS No1)	310.5v	+1.5
Cocorat Of (Phil)§	\$742.50	-2.5
Paim Oil (Malay.)5	550.0	-5.0
Copre (Ph/)§	\$503.0x	-2.0
Soyabeans (US)	2120	
Cotton Outlook'A' Index	75.75	
Wooltops (64s Super)	405p	
Der torrie uniere erhannian er		

### **CROSSWORD**

# No.9,195 Set by ARMONIE

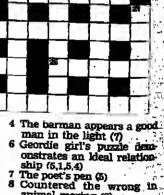
- 1 Meet outside the food shop. That's the start of your devotion (8) 5 Critic cut the Queen (6) 10 Stout found among The Globe's emergency stock
- 11 An event in a European cellar (4,5) 12 "Spread the game", doctor's to say (3-6)
- (5) 14 Fold party clothes (3-3) 15 Touching performance in a hat (7)

  18 Advance guard captures a jerk in the palace (7)

  20 Second-class game played under the table (6)

Roman dancing-giri (5)
I Irish port's sailors use this to get to the drink (9)
Empty-headed coppers protect resort in unrestricted area (4,5)
Love the belt! it's a gas! (5)
Pleasant sounding rock (6)
They're off the Isle of
Wight, to the south, and
unwanted (8)

- 1 This is covered in dust!
  Heartless fogey adopts a
  grim expression (6)
  2 Bream and toad cooked for DOWN
- disb (9) The unemployed lied maliciously about certain Tory women (8,7)

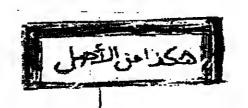


animal rearing (8)
9 Alien upset Harris over small bloomer (6) 16 Priest one ordered to medi

13 A horseman's qualification 17 The odds on getting good Service (8)
Catch a cold in rain, initially. Swaet drink's required (6)
Oriental rubs me the wrong

way over opening of Embassy (7). 21 Leak on board ship spreads rspidly (6). 23 Local official – one having a bill? (5)





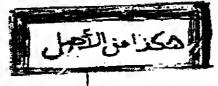
THURSDAY OCTOBE

maker	● FT Cityline Unit Trust Prices are avail	FT MANAGED FUNDS SERVICE able over the telephone. Call the FT Cityline Help Deak on (+44 171) 573 4378 for more details.	Offshore Funds
organic waste waste	OFFSHORE AND OVERSEAS	hall Report Suffice Buying + or Yield Suffice Region + or Yield Suffic	Sulling Buylog or Yold Prison Sulling Buylog or Yold Gays Polan Prison or Yold Caryo Polan Prison or St. Octopolary Inc.  #### St. Octopolary Inc.  ###################################
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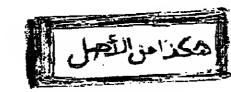
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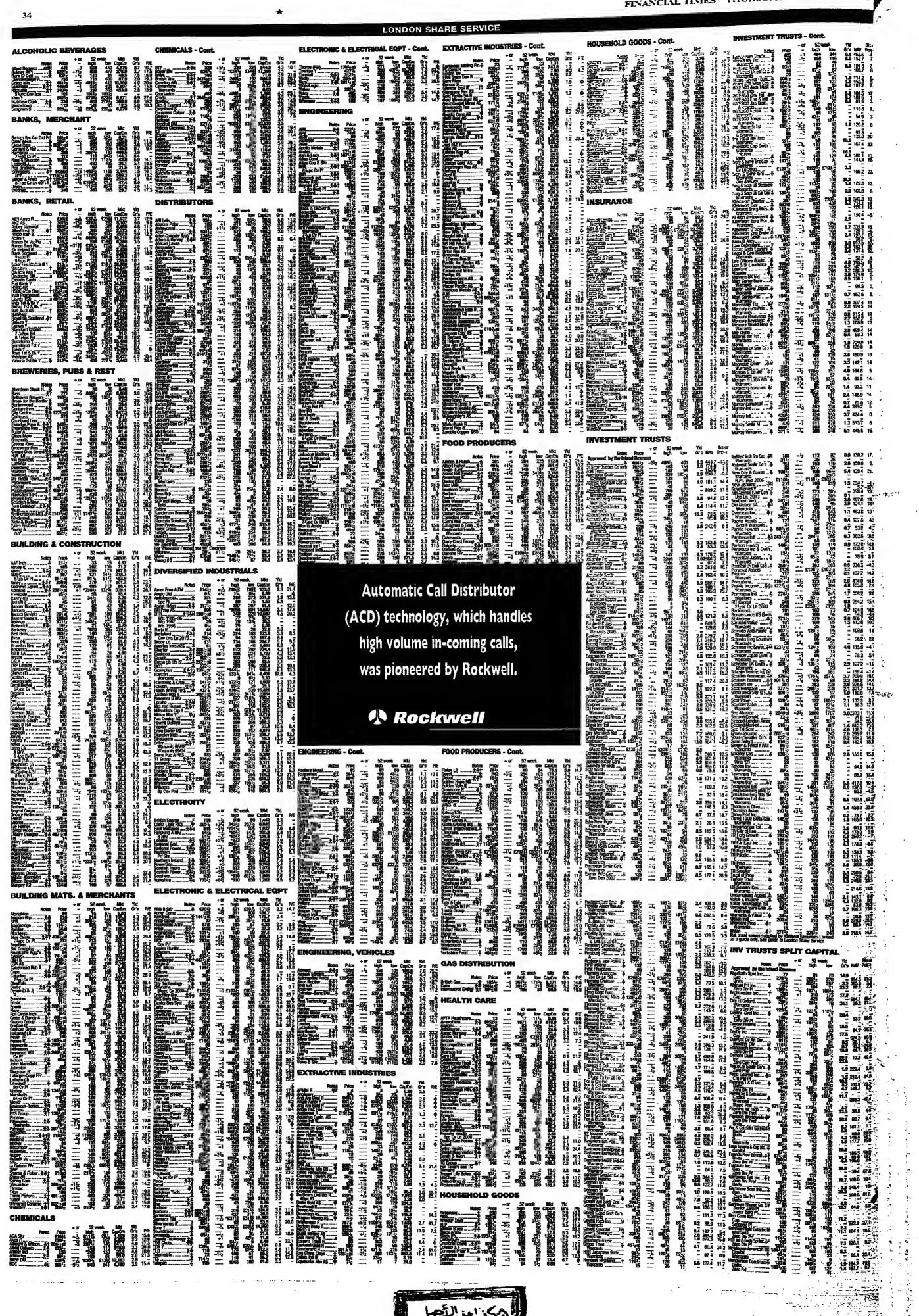


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### LONDON STOCK EXCHANGE

# FTSE heads back towards the 4,000 level

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The FTSE 100 index came back to within 7.2 points of the 4,000 level yesterday as UK shares retreated in the face of a poor performance by Wall Street overnight and at

the start of trading yesterday. Adding to the market discomfort late yesterday were rumours, subsequently denied, that Mr Boris Yeltsin, the Russian president, had died. Notwithstanding the denials, the FTSE 100 index ended the session a net 26.3 lower at 4,009.3, only two points above the day's lowest point.

The selling pressure tended to be confined to the leading stocks, however, with the second-liners and small cap stocks little

changed at the end of the day. The FTSE 250 ended a mere 4.0 off at 4,431.3, while the SmallCap index managed the smallest of gains, closing 0.1 up at 2,177.3.

"The Yeltsin rumours caused a mini-markdown but there was no real evidence of any large-scale selling," noted one dealer. He said the big institutions were holding off, concerned that Wall Street might tumble further.

But he insisted that they would move in to pick up cheap stock as soon as the market started to turn.

Domestic political worries were also said to have played a part in the decline, with vague talk of a snap general election, although this was disregarded by strategists.

Dealers pointed to the performance of gilts - where the 10year gilt finished around 8 ticks better and the 20-year gilt % higher - as an indicator of the likelihood of a surprise election -"no chance" as one put it.

This morning brings official inflation figures for September. forecast to come in up 0.5 per cent on the month and 2.1 per cent over the year.

There was widespread concern. at the latest sell-off on Wall

premium.

Street where the Dow Jones Industrial Average followed Tuesday evening's 13-point fall with a near 50-point decline not long after opening. The US Treasury market's resilience helped to calm rather frayed nerves on both sides of the Atlantic.

Relatively poor turnover across UK equities lent credence to dealers' claims that there had been no real downside pressure on UK stocks. Turnover at 6pm came out at a relatively light 645.7m shares. Customer business on Tuesday was £1.75hn.

The worst affected areas of the market were oils and pharmaceuwith US investors. One trader

traditionally trading at a

Value campaign had heen aimed at Asda, but had not

had as hlg an impact as

expected. He said Asda's

management had strength in

depth to make up for Mr

Archie Norman, Its chief

executive moving to chair-

455%p on reports that the

£142m saie of its Business

Supplies business to Guil-

bert was encountering prob-

lems. However, analysts did

not appear to think it was a

big Issue. One even

suggested that problem had

heen aired by one of the par-

ties to strengthen its hand in

£112m has already heen

received by W H Smith, hut

there are some difficulties

over the remaining £30m, W

It is understood that

negotiations,

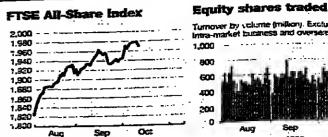
W H Smith fell 91/2 to

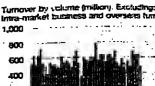
He said Tesco's Unlimited

said Tuesday evening was the first time for many weeks that US investors had been net sellers of UK stocks.

The effect on those sectors was evident from the outset in London with one of the big US hrokers, Lehman Brothers, playing a big part in hitting Glaxo shares. There could well be more nervousness in the UK market this

morning. Mr David Schwartz, stock market historian and author of the Stock Market Handbook, pointed out that vesterday was the seventh most likely day of the year to witness a sharp reversal in ticals, traditionally hig favourites share prices and today the tenth most likely.





ndices and ratios

FT 30 FTSE Non-Fins pie FTSE 100 Fut Dec 4044.0 10 yr Gilt yield

Best performing sectors Textiles & Apparel ....... Building Mats & Merchs .+0.8 old Goods ..... .+0.6 .+0.5

Oil Exploration & Prod Telecommunications .....

### **Broker** caution on Glaxo

A sharp correction in leading pharmaceuticals stocks, partly prompted by a change of heart from one US broker, set the trend in London yesterday.

Glaxo Wellcome fell after Lehman Brothers downgraded the stock to "hold" from "outperform".

Adkins said there had been hopes of a hoost to the share price from positive data on Glaxo's new hepatitis treatment, which was expected at the beginning of November.

However, a specialist trade publication published evidence of the treatment's 39 per cent success rate with a small sample of patients and deprived Glaxo of the opportunity to trumpet its suc-

The impact of Lehman comments combined with weakness on Wall Street, wbere Glaxo is heavily traded in ADR form, to send the shares down 31 to 990p the biggest fall in the Footsie. Meanwbile Zeneca, dropped 38 to 16121/2p.

### BT weakened

Surprise news that BT had lost one of the partners in its three-way European alliance hit the sbare price yesterday. BT announced yesterday that it had terminated talks with RWE.

said It was too early to quantify the damage, but if BT had to carry on with one partner rather than two the increased capital expenditure was likely to be earnings dilutive.

Some telecoms specialists were arguing early in the day that BT's loss would be Cable & Wireless's gain. However, as the day wore on, a view developed that Cable would later announce it was not getting into bed with RWE. The announcement that Cable was, in fact, Analyst Mr Stewart linking with RWE came too late to prevent the shares shedding 4 to 430p. BT fell

### **Eurotunnel hit**

7½ to 348½p.

931/2p as the stock tumbied for a second day in London line with the sector despite and on the Paris bourse. Most of the selling took

place in Paris, where just under 13.7m shares were traded compared with Lon-French analysts were

reported as saying that small French sharebolders who bad expected the debt restructuring to turn around the company were more than disappointed with the plan. One French analyst was quoted as saying the stock was no longer worth anything and that he could not put a price on lt. UBS had similar sentiments and reiterated a nine-year "sell" and in a note said that the complexity of the proposals underlined the severity of Eurotunnel's financial prob-

**NEW** from FT Retail & Consumer Publishing

Food & Drink Management Reports

ETRATEGIC DIRECTIONS IN EUROPEAN FOOD & DRINK

happening in the industry today, these reports are invaluable aids to corporate planning.

FT Retail & Consumer Publishing produce extensively researched reports providing vital industry information for your company to take full advantage of new opportunities, and stay one step ahead of your

competitors. Supported throughout with informative case studies giving unique insights into what is really

Mr James McCafferty of lems. UBS said: "It is by no ABN Amro Hoare Govett means certain that this plan is sufficiently comprehensive to be Eurotunnel's final rescue plan and we believe that the existing equity is limited to 'voting' rather than economic value.

### Asda bought

Asda was one of the strongest performers on the FTSE 100. hardening 2 to 109%p on trading of 8.2m after SBC Warburg repeated a "huy" rating on the supermarket chain and set a price target of 125p which it expected to be reached by January.

Mr Neil Currie, the food retailing analyst at Warburg. was reported to have said Asda was trading at a 15 per cent discount to the rest of the market when its earn-Eurotunnel fell 111/2 to ings growth was better than average and that it was in

	Oct 8	Oct 8	Oct 7	Oct 4	Oct 3	Yr ago	"High	"Low
FT 30	2835-2	2848.2	2848.4	2857.8	2853.8	2562.3	2885.2	2668.8
Ord. div, yield	3.99						4.22	3.76
P/E ratio net	17.27	17,39	17.39	17.42	17,39	15.40	17,46	15.80
P/E ratio nil	17.11	17.23	17.23	17.26	17.22	15.22	17.30	15.71
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Oct 8 Oct 8 Oct 7 Oct 4 Oct 3 Yr ago "High 'Low 1008,50 1004,50 1002,10 996,70 1002,70 - 1140,40 965,70

Rises and falls"		52 Week highs	and lows	LIFFE Equity opt	ions
Total Rises	498	Total Highs	128	Total contracts	50,391
Total Falls	578	Total Lows	47	Calls	19,634
Same	1.550			Puts	30,757

FINANCIAL TIMES

FT Resail & Consumer Publishing

H Smith said that the disposal consideration receivable from Guilbert was "subject to adjustment if, on determination following completion, net assets at March 31 1996, were less than the expected amount of £30m". It said normal contractual negotiations were

taking place. Austin Reed climbed 5 to 219%p after with sparkling results. Frost Group added 71/2 to 130p after an upbeat trading statement following an easing in the petrol price

BP fell 11 to 6991/2p with Kleinwort Benson advising clients to switch to Shell Transport. Any benefit for Shell was offset by profittaking after a strong run and the shares ended the day 12

lower at 1028p. Leading oll analysts flew out to Italy yesterday on the start of the Enterprise oil operations there. The shares fell 16'4 to 568'4p, hut the slide was said to be the result of profit-taking after a good run rather than any concern over the Italian operation.

Pilkington bounced 31/2 to 1871/2p, the best performance on the FTSE 100. Optimism surrounding interest rates in Germany, where Pilkington bas a substantial market, supported the stock.

Pub and restaurant stocks continued to benefit from positive sentiment towards the sector following a couple of recent acquisitions. PizzaExpress added 6 to 4994-p. Regent Inns firmed 6 to 2521/ap and J D Wetherspoon climbed 11 to 1147/2p.

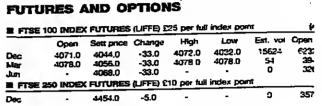
ICI shed 121/2 to 8331/4p as some analysts moved to follow the downgrade by the joint house broker BZW a month ago. Racal Electronics was

firmer after Tuesday's fall prompted by a downgrade from joint broker Merrill

Lynch, Investors saw that the company's other broker NatWest Securities was maintaining its forecast. The stock recovered 31: to 279p.

Inchcape, the conglomerate. lifted 8 to 276p after selling its testing services unit to Charterhouse Development Capital for £380m. Reassessment of

impact of the chancellor's tax credit veto on share huvbacks led to potentially affected stocks recovering some of their lost ground yesterday. Reuters Holdings, which had heen most heavily affected hecause it postponed its £613m return of cash to shareholders, bounced 81/2 to 7651/2p while banks and utilities were all



FISE 100 INDEX OPTION (UFFE) ('4010 ) £10 per full index point 3800 3850 3900 3950 4000 4050 4100

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Mor 236½ 7 191 12 148 18 108½ 28½ 74 44½ 45½ 67 24 98 1

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Jan 334 80½ 270 113½ 208½ 150 160½ 200 Calls 3,608 Pets 7,212

E SURO STYLE FTSE 100 INDEX OPTION (LIFFE) \$10 per full index point 3825 3875 3925 3975 4025 4075 4125 417 8ct 195 1½ 147 2½ 180 5½ 57½ 12½ 24½ 29½ 7 61½ 1 106 1 8cv 214 9 169½ 14½ 127½ 22 89½ 34 58 52 33½ 77½ 17½ 111 8 Dec 239 22½ 197 30 158 40 122½ 54 91 72½ 64½ 95½ 43 123 26½ 8ct 283½ 58½ 211½ 84 149 118½ 4cm 325½ 92½ 258½ 127½ 198½ 157½ 147½ 302 417 Calls 7,715 Futa 15,711 \* Underlying index

### LONDON RECENT ISSUES: EQUITIES

FP.FP.FP.FP.FP.FP.FP.FP.FP.FP.FP.FP.FP.F	32.1 126.1 29.5 30.5	3371 <sub>2</sub> 851 <sub>2</sub> 100 1791 <sub>2</sub> 901 <sub>2</sub>	3141 <sub>2</sub> 701 <sub>2</sub> 95 1651 <sub>2</sub>	Stock AEA 7echnology †Ainsch Amer Opps Ln 03/ Brunner Mond	336 <sup>1</sup> 2 70 <sup>1</sup> 2 06 95 170 <sup>1</sup> 2	<b>+/-</b> →	Net drv.	Drv. cov.	yld	P/E net
F.P. F.P. F.P. F.P.	269.2 32.1 126.1 29.5 30.5	3371 <sub>2</sub> 851 <sub>2</sub> 100 1791 <sub>2</sub> 901 <sub>2</sub>	3141 <sub>2</sub> 701 <sub>2</sub> 95 1651 <sub>2</sub>	AEA 7echnology †Aintech Amer Opps Ln 03/ Brunner Mand	336 <sup>1</sup> 2 70 <sup>1</sup> 2 06 95	4	L;.5	33	_	_
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FP. FP. FP.	32.1 126.1 29.5 30.5	100 179 <sup>1</sup> 2 90 <sup>1</sup> 2	70 <sup>1</sup> 2 95 165 <sup>1</sup> 2	†Ainsch Amer Opps Ln 03/ Brunner Mond	06 95	4	<u>-</u>	:	:	
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F.P. F.P. F.P.	29.5 30.5	179 <sup>1</sup> 2 90 <sup>1</sup> 2	16512	Brunner Mond	1701-					_
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F.P.	5.61	13712	1322	Shalibane			R+.0	21		11.3
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F.P.	138.8	25012	2821-	Ultra Eletn	29012		RW6.5	23	28	19.7
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# FT GOLD MINES INDEX Oct % chy Oct Year Gross the P/E 8 on day 7 ago yield % ratio

Gold Mines Index (31) 1903.46 +0.3 1897.84 1953.07 2531.72 +0.9 2509.52 2667.81 3.15 2038.11 -0.4 2095.63 2362.12 2.66 Africa (13) 35.77 3553.86 2272.74

Horsh America (12) 1792.17 +0.2 1700.15 1684.59 0.75 64.58 2186.39 1486.94 Copyright, The Financial Times Limited 1908. "FT Gold Mines Index" is a trademark of The Financial Times Limited. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31.12/92. † Parnat. Latest prices were unavastable for this edition. FTSE Actuaries Share Indices 7 4035.6 4031.5 4024.8 3474.3 1 4435.3 4441.0 4437.9 3919.8 1 4466.6 4471.4 4469.4 3945.5 5 2006.1 2005.0 2002.1 1737.3 6 1908.5 1805.8 1903.6 1732.3 FTSE 100 FTSE 250 FTSE 250 ex IT FTSE 350 FTSE 350 Higher Yield FTSE 350 Lower Yield

FTS	E SmallCap	2177.32		2177.22	2180.15	2178.58	1958.58	3.12	1.57	25.45	57.55	1808.02	
	E ŞmallCap ex IT	2170.77				2171,48		3.33	1.64			1815.44	
FTS	E All-Share	1969.07	-0.5	1978.82	1878.05	1975.27	1718.30	3.74	1.93			1697.47	
	FTSE Actuaries ind	ustry	Sect	ors									-1
			Day's				Year	Div.	Net	P/E	Xd add	L Total	- 1
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10	MINERAL EXTRACTION(24)	3944.82	-13	3999.07	3066 33	3818 00	2879.04	3.52	4.00				٠ [
	Extractive Industries(6)	4181.48		4224.53					1.63			1722.22	ij
	Oil, Integrated(3)	4092.72		4149.50					2.66 1.45			1246.17	- 1
	Oil Exploration 8 Prod(15)	2924.62		2975.49	2961.40	2962 R4	1894 54	1.81	1,67	23.64	135.18	1834.11	-1
20		2097.93										1772.12	. ]
		1218.24		2102.44					1.77			1166.02	
22	Building & Construction(34) autiding Matts 8 Merchs(29)		+0.2	1212.82	1207.90	1203.93	913.36	3.47	1.49			1034.08	- 1
	Chemicals(25)	2010.87 2499.78	+0.0	1999.06	1995.65	2002.00	1698.40		1.53	21.37	62.79	1031.01	-1
		1541.08	-0.0	2522.47 1542.92	2520.36	2531.44	2428.61	4.06	1.52	20.21	85.88	1204.87	4.
		2391.47	-0.1	2395.30	1354 96	1000,14	1748,94		1.62	11.71	87.44	887.31	- 1
		2639.48	-0.2	2652.82	2559.00	2383.75	2148,84		1.46	25.99	81.10	1259,56	1
27		3223.90	-0.5	3234.68	2001.27	2000.77	2153.20		2.46	16.48	B4.45	1622.09	ı.
28	Paper, Pckq & Printing(28)	2638.38	-0.2	2653.29	201.03	3239.62	2014,22	2.15	2.88	21.85	98.84	1699.46	- 1
	Textiles & Apparel(19)	1202.22	-0.6	1192.34	1175 10	1172 20	2845.61	3.95	1.82	17.37	84.65	1118.82	н
								5.94	1.18	<u> 17.89</u>	50.38	747.10	
	CONSUMER GOODS(82)	3758.05	-1.3	3805.71	3804.06	3810.34	3389.64		1.95	18.88	126.40	1413.34	1.
		2757.01	-0.2	2762.42	2745.58	2768.44	2877.52	4.81	1.63	15.67	104.05	1012.57	
	Food Producers(25)	2609.47	-0.5	2623.40	2507.46	2597.35	2515.12	4.03	1.88	16.65	83.19	1196.09	-1
	Household Goods(15)	2756.69	+0.6	2740.72	27-14.38	2744.67	2556.24		2.28	14.97	70,69	1063.48	110
	Health Care(18)	2080.63	+0.1	2078.58	2071.41	2053.59	2018.80	2.84	1.94	22.81	43.09	1276.08	-11
	Pharmaceuticals(14) Tobacco(2)	5820.24 3690 15	-2.4	5964.59	5996.98	6000.87	4459.50		2.06	21.08	162.93	2007.87	Ъ.
				3872.40				7.03	2.11	8.44	262.07	950.28	11
	SERVICES(255)	2594.53	-0.1	2597.71	2595.65	2591.B4	2138,84	2.86	1.87	22 24	70.43	1368.11	
	Distributors(30)	2850.84	+1.3	2824.51	2830.85	2839.10	2705.45	2.96	2.01			1068.86	1
	Leisure & Hotels(25)	3175.57	-0.6	3194.03	3165.09	3179.18	2424.39	2.75	2.03	22.39	172 11	1726,39	
	Media(45)	4441.81		4442.77	4442.55	4417.82	3315.36	2.06	2.05	29.70	90.80	1825.41	
	Retailers. Food(15)	1970.59	-	1971.08	1961.45	1953.86	2090.51	3.98	2.35	13.35	63.49	1274.12	
	Retailers, General(45)	2130.50	-0.1	2132.58	2129.90	2129.98	1760.78	3.01	2.08	18.9B	55.80	1234.09	113
		3083.60	-0.4	3097.03	3101.82	3108.35	2609.23	3.36	1.97	18.91	88 28	1495.23	
	Support Services(50)	2574.36	+0.3	2567,22	2571.65	2569.90	1825.22	1.91	2.25	28.02	43.54	1650.44	1 :
49	Transport(23)	2582.58	-0.7	2599.54	260B.77	2601.41	2150.54	3.67	1.12	30.52	82 14	1097.27	11
	UTILITIES(SS)	2248.18	-0.8	2266.48	2274.51	2289,44	2498.25	5.62	1.80			1001.15	
	Electricity(12)	2363.88	-0.1	2365.74	2385.86	2389.72	2751.94	a.45	2.40	8.00	490.76	1280.03	1.7
	Gas Distribution(2)	1259.87	-0.4	1265.53	1231.19	1271.20	1634.02	9.51	0.88	15.77	63.51	861.77	13
	Telecommunications(8)	1895.44	-1.5	1925.17	1934.74	1946 31	2078 00	4.25	1.53	18.21	50.33	880.86	1 !
68	Water(11)	2181.54	+0.1	2178.53	2202.37	2203.92	2118.81	8.31	231	8.58	Q1 85	1233.81	13
69	NON-FINANCIALS(670)	2063.69		2076.77				3.74					Į į
70	FINANCIALS(104)	3281.77							1.B4			1596.90	1 3
	Banks, Retail(8)	4731.24	-03	3280.13 4720.08	3261.71	3261.28	2633.46	4.04	2.38	13.00	120.83	1443.74	1
	Benks, Merchant(8)	3784.75	-0.5	3804.87	2841.04	2012.03	36/9.75	3.94	2.71	12.00	174.00	1581.01	1 5
	Insurance(21)	1523.22	+0.2	1519.60	1517 PC	1514 00	J=00.61	2.75	2.85	15.91	91.01	1216.84	13
	Life Assurance(8)	3787.41	-0.5	3806.58	3910 en	3700 44	1239.5€ 1033.5€	5.50	2.26	8.96	71.33	1173.04	1 8
77	Other Pinancial(20)	2670.53	-0.3	2677.51	2621 27	2673 (19	27.10 PG	4.10 4.00	1.84	15.74	151,01	1810.27	1 5
79	Property(41)	1659.92	-0.4	1666.81	1673.48	1669.18	1409.71	3.86	1.77 1.26	25.07	86.83	1547.87	1 8
80	INVESTMENT TRUSTS(127)	3223,17		3229.95				3.00	1.20	23.67	47.10	1038.09	

	Open	9.00	10.06	11.00	12.00	13.00	14.00	15.00	16.10	High/day Low/d		
FTSE 100	4025.5	4031.5	4028.4	4000 =	4865						чу	
				4022.5	4023.7	4022.0	4025.1	4018.1	4010.3	4037.9 4007		
FTSE 250	4434.5	4434.8	4432.1	4431.9	-439 T	4433.8				-100/-	2	
FTSE 350	2002.0					4435.0	4434.2	4435.2	4430.7	4435.8 4430.	_	
						2000.6			1995.8	2007.0 1994		
Time of FTSE 100	Time of FTSE 100 Day's high: 8:46 AM Day's low: 3:56 PM, FTSE 100 1995 High: 4035.8 (08/10/98) Low: 3832.3 (18/07/98) .											
FTSE 3	50 indu	stry ba	skets	;								
	Open	8.00 1	0.00 11	.00 12	.00 13.0	00 14.0	0 15.0	0 16 10	~			

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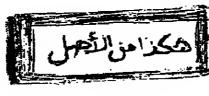
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...... 1238.01 1239.57 1239.57 1068.01 2.81 0.89 54.51 28.50 1309.48 ..... 1248.06 1249.72 1248.64 1065.81 3.01 0.82 67.11 31.26 1321.69

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Equi	FINANCIAL TIMES THURSDAY OCTOBER 10 1996  *  WORLD STOCK MARKETS  */- Non- Limit No. No. 10- Non- Low Ye. No. 10- No. 10
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NEW YORK STOCK EXCHANGE PRICES | 1805 | 1807 | 1808 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 | 1809 |

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# US shares slip back RWE rattles telecoms contenders

Profit-taking continued to hurt the US equity market at mid-session vesterday in spite of signs of rebounding demand for semiconductors that lifted many companies in the technology sector, writes Lisa Bransten in New

The Dow Jones Industrial Average crept modestly higher when trading opened. but almost immediately fell back into negative territory amid rumours, subsequently denied, over the health of the Russlan president, Mr Boris Yeltsin. For the first time this week, the Dow failed to reach the 8,000point level in morning trade.

By 1 pm the Dow was off 30.94 at 5,935.83, the more hroadly traded Standard & Poor's 500 fell hy 3.39 at 697.25 and the American Stock Exchange composite shed 1.93 at 580.08. Volume on the New York Stock came to 240m shares.

The technology-ricb Nasdaq composite surged as much as 23.66 points at the start of trading before post-ing a sharp retreat. By midday the index was nearly flat with a gain of 0.70 at 1,240.85. Meanwhile, the Pacific Stock Exchange technology index was 0.6 per

tor Industry Association ual shares, adding C\$1.55 to showing an increase in demand for sllicon chips. The report, released after the market closed on Tuesday. showed that the ratio of orders hooked to orders shipped rose to 0.99 in Sep-

on profit-taking

tember from 0.93 in August. Rising shares in the semiconductor sector included Intel, up \$% at \$102%. Micron Technology, up \$11/2 at \$33, LSI Logic, \$1% stronger at \$25% and Texas Instruments, which added \$1% at \$563...

Several computer makers were also stronger. Gateway 2000 added \$1¼ at \$48½ and Compaq Computer \$1% at \$68%. However, Microsoft, the largest company on the Nasdaq, gave up \$1 at \$134% on the heels of a rally that has seen the company's shares jump 10 per cent

since the start of September. Elsewhere, Marvel Entertainment slid \$2¼ or 28 per cent to \$5% after warning late on Tuesday that it expected to make a loss of 7 to 12 cents a share in the third quarter.

TORONTO stood out against the downtrend on Wall Street to rack up modest gains by the close of the morning session. At noon, the 300 composite index was 8.85 ahead at 5.445.39.

Gold stocks were tha best The sharp gains on the performing sector, while Nasdaq were sparked by a Northern Telecom found stood 3.40 easier at 3,336.71.

report from the Semiconduc- clear favour among individ-C\$83.55. Alcan Aluminium dipped 30 cents to C\$41.10 and Seagram came off 20 cents to C\$48.60. Royal Bank of Canada hardened 10 cents to C\$40.90.

CARACAS was 1.2 per cent higher as investors anticipated a fall of up to 4 percentage points in interest rates at yesterday's 40bn bolivars auction of central bank TEMs. The IBC index, which gave up 3.8 per cent on Tuesday, firmed 75.26 hy mid-session to 6,168.65.

News that the benchmark Electricidad de Caracas was considering reinstating its suspended dividend payments also provided the market with support as the share rose 7.45 holivars to

553 bolivars. **BUENOS AIRES** was flat at midday, after its nine-session rally, with the Merval index just 0.08 higher at 590.19. YPF, the oil giant which pushed 3 per cent higher on Tuesday on foreign huying - attributed to a huy recommendation edged lower in morning trade yesterday.

MEXICO CITY opened slightly higher in response to the overnight fall in primary interest rates, but soon turned hack in response to the weakness on Wall Street. The IPC index at mid-session

CAC 40 index was off 14.83 at

Eurotunnel huilt up mas-Closing early, Copenhagen, sive trading volume for the Oslo and Istanbul managed to register further closing second day running and ended with a decline of more highs, hut these were overthan 10 per cent. A number shadowed by later falls in of hrokers were said to have senior bourses, which folturned very negative on the lowed the Dow. FRANKFURT ended 20 shares, down hy more than 17 per cent in two days, folpoints off its day's peak, the lowing disappointment with Dax index closing 17.37

the group's sobn debt refifor sheer impact, the broad nancing deal. market had to give best to The Channel tunnel opera-RWE, the energy group, tor closed off 85 centimes at FFr7.50 in volume of 13.7m which rattled the utilities sector by abandoning a teleshares, after a record-hreaking 20.2m on Tuesday. communications partnership with Viag and British Tele-

UAP, the insurance giant, recorded strong interim profits and rose FFr1.90 to FFr108.90. In the same sector, GAN gained FFr4.60 to FF7126.60 on press speculation that the sale of the government's stake in CIC could he linked to a similar move involving GAN.

Eramet came off FF120.20 to FFr257.60 amid renewed concern about outlook for ownership of its nickel mine in northern New Caledonia. AMSTERDAM had a

steady session, underpinned by a firm bond market and solid gains at Philips. The AEX index closed 1.31 easier at 587.84.

Philips led the activity charts on the September lower after another heart- recovery in the widely followed US semiconductor tunnel. At the close, the book-to-hill ratio. The shares

FTSE Actuaries Share Indices THE EUROPEAN SERIE Open 10.20 11.00 12.00 13.00 14.00 15.00 Close FTSE Eurotrack 100 1766-12 1765-83 1765-06 1765-53 1767-91 1768-94 1769-14 1763-10 FTSE Eurotrack 200 1812-92 1512-77 1812-28 1811-98 1813-47 1515-25 1814-78 1812-94 Dct 4 Oct 7 Cct 8 1749 01 1745 79 1503.74 1903 57 1754.03

1762.69

1913.15

pnt on Fl 1.30 at Fl 64.10. Profit-takers homed in on Royal Dutch, which fell Fl 3.80 to Fl 279.60 after a good run on news of possible

joint ventures with Texaco of the US. News that Bankers Trust Australia, a near 20 per cent shareholder in TNT, planned to turn down the agreed bid for the company from KPN, left the latter off 30 cents at

ZURICH turned back from its best levels, the SMI index closing 10.2 weaker at 3.807.9.

CS Holding fell SFr1 to SFr128.75 on profit-taking while Elektrowatt, which soared on Tuesday on renewed speculation that CS Holding might announce a divestment of its 45 per cent stake, gave up SFr14 to

SFr495. Alusnisse slipped SPr9 to SFr936, pressured by the fall out from a profits warning by Alcoa in the US.

Tag Heuer, the luxury sports watchmaker, contin-

ued to slide, down SFr6.25 to SFr221, compared with the SFr245 offer price on September 27. One analyst commented that a number of factors, including sharply lower 1996 earnings, had pressured

- 1364 44 200 . 121E 43 1 PMES

Maag, the mechanical engineering company, gave up SFr15 of Tuesday's SFr45 surge to close at SFr160.

MILAN ran out of steam after a positive start and while the Comit index moved 3.97 higher to 629.19. the real-time Mihtel index turned back from a high of 10,082 to close 51 weaker at

Fiat pushed L58 ahead to L4.167, helped by news of the flotation of at least 31 per cent of its tractor and farm machinery division, New Holland, in New York for \$1.2bn. The shares, which hit a low for the year on Tuesday, had been depressed by the poor performance of the Italian car market and the

high value of the lira. Olivetti was reassured

early in the day by media reports that NEC and Sony of Japan might be interested in its personal computer business. However, the shares turned back from a high of L545 to close L11.6 down at L515.7 when both foreign groups denied that they had any such ambi-

Telecoms stocks were pressured as investors prepared for the flotation of Deutsche Telekum. Telecom Italiadropped L53 to L3,398

BRUSSELS saw a small first-half loss, instead of the small profit expected at Arbed, the Luxemhourg steelmaker, and the shares dropped to BFr3,520 before staging a partial recovery and closing BF155, or 1.5 percent lower at BF13,700. The Bel-20 index closed 8.30 lower at 1.769.75.

sharp fall in Cultur, down
FM15 to FM229, as the food
stuffs and animal feed group
revealed a larger than area. revealed a larger than expected 42 per cent slide in eightmonth profits, in splte of an earlier profits warning. The Hex index lost 19.66 to 2,200.23, weighed down further by a FM7 drop in Metra to FM269, in spite of slightly higher January to August profits.

STUGG!

### S Africa continues to advance

Shares in Johannesburg moved ahead for siasm. At the close, the overall index was up 12.2 at 7,059. Industrial shares put on 9.0 to 8,267.4 while golds lost some of their recent ers. South African Breweries gained R1 to shine, easing back by 3.7

Dealers said that Wall Street's dull start the seventh day running, hut volumes were had made for a lacklustre afternoon. Bullion subdued and buying was said to lack enthu- showed signs of improving, but the news came too late to affect gold shares.

Most activity centred on a handful of lead-

•	easing back by 3.7 to 1,742.	8. R123 and	Gencor added 35 cents to
	EMERGING MARKETS:	IFC WEEKLY INVES	STABLE PRICE INDIC
	No. of October 4th	Dollar terms % Change % Change	October 4th % Change

			Dollar terms		Local currency terms				
Market	No. of stocks		% Change % over week on		October 4th 1996	% Change over week			
Latin America	(248)	550.06	+2.9	+16.6					
Argentina	(31)	678.83	+3.3	+9.7	539,014.37	+3.3	+9.7		
Brazil	(68)	381,22	+2.4	+24.9	1,456.97	+2.5	+31.2		
Chile	(43)	727,57	+1.5	-2.8	1,204.58	+1.6	-1.2		
Colombia <sup>1</sup>	(15)	644,65	+2.1	+7.8	1,155.75	+1.0	+10.1		
Mexico	(66)	555.40	+3.8	+22.8	1,802.68	+3.5	+19.7		
Peru <sup>2</sup>	(21)	221,90	+0.0	+12.5	342,45	+0,5	+23.3		
Venezuele <sup>3</sup>	(5)	752.07	+22.6	+124.9	8,054.25	+21.1	+208.6		
Asia	(632)	253.84	+0.5	+8.3					
Chinar	(24)	60.88	+3.3	+12.5	63.79	+3.3	+12.2		
South Korea®	(145)	93.77	-3.6	-25.5	101.66	-3.2	-20.8		
Philipplnes	(35)	300,92	-2.2	+15.8	381.87	-2.1	+16.1		
falwan, China	(83)	149.69	+1.0	+32.7	154.48	+1.0	+33.7		
ndia*	(76)	80.04	-5.1	-0.4	101.32	-5.1	+0.9		
indonesia"	(44)	120.84	+2.4	+10.2	152,49	+2.6	+11.9		
Malaysla	(123)	327.07	+2.3	+20.6	301.81	+2.0	+18.8		
Pakistan*	(25)	221.69	+2.0	-8.6	373.16	+2.0	-1.0		
Sri Lanka <sup>®</sup>	(5)	96.59	+0.9	-7.2	119.92	+1.8	-0.8		
Thailand	(72)	276.48	-4.1	-26.4	278.24	-4.1	-25.7		
Euro/Mkd East	(238)	142.78	+1.8	+0.8			-		
Czech Rep	(5)	71.00	-1.7	+18.3	64.35	-0.6	+21.0		
Greece	(47)	260.75	+0.0	+7.9	425.63	+0.1	+10.0		
-lungary*	(8)	179.12	+2.4	+82.0	334.95	+2.9	+107-0		
lordan	(8)	180.75	-1.2	-2.1	270.05	-1.2	-2.0		
Poland	(22)	777.75	-0.9	+82.4	1,378,21	-0.5	+108.2		
Portugal	(26)	135.20	+0.8	+16.8	143.94	+0.7	+21.1		
South Africate	(63)	229.89	+1.4	-10.9	215.47	+1.5	+10.9		
Turkev*	(54)	149.24	+5.9	+42.8	6.516.52	+7.2	+118.0		
Zimbabwe <sup>st</sup>	(5)	418.12	-3.8	+52.2	640.48	-3.2	+69.9		
Composite	(1119)	301.70	416	49.4					

indices are calculated at end-week, and weekly changes are percentage movement from the previous Finday. Base date: Dec 1988–100 evo those noted which are: (UFeb 1 1991; (2)Dec 31 1992; (D.lan 5 1990, (A)Dec 31 1992; (S.lan 3 1992; (B.lan 4 1991; (7)Nov 6 1992; (B)Sep

96 Index Ind

-0.4 270.85 200.73 226.58 285.37
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0.4 189.92 140.85 159.00 166.42
-0.4 278.91 206.85 233.49 253.93
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-0.3 203.16 150.89 170.10 192.89
-0.2 244.04 180.99 204.30 243.41

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The outlook for Indian shares continues to darken with negative factors depressing market sentiment, writes Tony Tassell in Bombay. The market faces political uncertainty, an erratic pace of economic reform, forecasts of a drop in corporate earnings growth, interest rates above 20 per cent, falls in foreign institutional investment and

a slowing economy.

After a sharp rally in the first six months of the year, driven by a rush of foreign investment, the market has slumped by 26 per cent from a June 17 peak. In the last week alone, the BSE-30 index has fallen 6 per cent.

NATIONAL AND

sla (107)

Brazil (26

FT/S&P ACTUARIES WORLD INDICES

Yesterday it closed 10.28 higher at 3,037.63 but traders say that this slight

rally may be shortlived. Analysts suggest that the past week's slide was triggered by the government's imposition of a 20 per cent cap on foreign holdings in the State Bank of India, the country's largest commercial bank

cial bank.
They add that the 5lide highlights the current vulnerability in the Indian market which is being driven by sentiment and speculation in the absence of any depth of liquidity, following a drying up of foreign investment in recent months.

The FT/S&P Actuaries World indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the institute of Actuaries. NatiWest Securities Ltd. was a co-founder of the indices.

The World Index (2433)......217.66 -0.3 206.43 153.10 172.82 187.82 -0.3 2.08 218.23 206.91 153.48 173.63 188.47 218.23 188.67 193.83

### **ASIA PACIFIC**

tition.

The composite index rose 20.16 to 817.78 as economic planners and senior officials at the ruling New Korea party agreed in principle that money market rates would soon be lowered by 1-2 per cent. A cut in the reserve requirement for banks was also being considered, officials said.

Samsung Electronics, the country's largest chipmaker. ended 5.2 per cent higher on news that the North American semiconductor book-tobill ratio, which measures shipments, rose in Septemher. The shares added Won3,500 to Won71,000.

ahead of today's national

The 225 index closed at 20,870, down 167.70 from Tuesday's close, after moving between 20,813.64 and 20,983.23. Volume crept up from 235m shares to an esti-

The Topix index of all first-section stocks lost 11.78 to 1.569.96. while the capitalweighted Nikkei 300 shed 1.98 to 294.03. Declines overwhelmed advances by 921 to 153 with 166 issues

prompted heavy selling. West Japan Railway (JR

| Dollar | Starting | Yen | DM | Currency 52 week 52 week 52 | New | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | I

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# Seoul leaps 2.3% on plan for economy

EUROPE

lower at 2,685.23. However,

com and allying itself with

3.8 per cent, to DM60.12,

while Viag dropped DM26.20

or 4.3 per cent to DM578.20.

Ms Lynn Reinhardt, utilities

analyst at BZW in Frankfurt.

questioned whether the

advantage to RWE would be

as strong as the share price

She did think that Viag.

committed to 52 per cent of

the estimated DM4hn costs

of the E2 cellular telephones

network, would miss the

deep pockets attributed to

RWE Turnover inched up

again, from DM8.7bn to

PARIS ended marginally

stopping session for Euro-

indicated.

RWE climbed DM2.22, or

Finance ministry measures to boost the flagging South Korean economy took SEOUL up by 2.3 per cent. The steps included slashing price of Y360.000. domestic steel prices and opening up power production to private sector compe-

TOKYO continued to slide

holiday, with growing uncertainty over the Japanese economy and politics taking the Nikkel average below 21,000, writes Gwen Robin-

mated 243m.

unchanged. In London the ISE/Nikkei 50 index rose 1.13 to 1.425.40. Traders said that the approaching settlement date for the expiry of October contracts had West), the biggest listing on Japan's stock exchanges in recent years, followed its lukewarm market debut on Tuesday to close at Y371,000. up Y4.000. This compared with Tuesday's opening

The stock was thought likely to hover on the upside of its current range for the short-term, thanks partly to JR West's larger than expected pre-tax profit projection of Y54bn for the fiscal year to next March, analysts said.

JR West's performance contrasted starkly with that of East Japan Railway (JR East), which listed three years ago as the first railway of the defunct JNR group to privatise. The stock fell

sharply and continued its slide of recent sessions to finish at Y498,000, down Y11.000.

Semiconductor-related issues lost ground in spite of an improved supply/demand balance for computer chipmakers in the US market. Nikon lost Y20 to Y1,250, Hitachi declined Y10 to Y1,040 and Toshiba lost Y6

In Osaka, the OSE average lost 176.12 to 21.557.07 in volume of 19.9m shares.

HONG KONG rose 1.2 per cent to a record high on foreign buying, extending the market's advance this year to 22 per cent.

The Hang Seng index gained 143.81 to 12,250.57 in turnover that edged back to HK\$6.2bn. Hang Seng Bank jumped HK\$2.75 to HK\$87.00 and

Henderson Land jumped HK\$1.50 to HK\$69.75. SINGAPORE rebounded from its morning lows in largely technical trade and the Straits Times Industrials

index finished 19.42 higher at 2,135.46. Volume, however, was a low 70.4m shares. SIA Foreign and Keppel

led gainers, each rising 30 cents to S\$14 and S\$10.50 respectively. JAKARTA continued to

lose ground, but brokers reported signs of bargain hunting towards the close. The composite index fell 8.46

to 566.32 for a two-day: decline of 20 points.

Sampoerna, the cigarette maker at the centre of Tuesday's hectic activity when worries about a debt downgrade sparked heavy foreign selling, ended off Rp475 at Rp18.300 after touching a low of Rp17,200.

SYDNEY closed almost i per cent lower after another bad day for resource and banking stocks. The All Ordinaries index ended off 21.0 at 2,310.7.

Banks were hit by profittaking and concern about pressure on operating margins. National Australia Bank came off 26 cents to A\$13.35 and ANZ fell 17 cents to A\$7.28.



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experience in Southeast Asia, putting us in a unique

position to take advantage of the prodigious economic growth taking place there. This degree of strength and commitment is something you can always expect from HSBC Asset Management. Together with the rewards that come with it



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